United States Government Accountability Office

GAO

Testimony

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FISCAL YEAR 2008 BUDGET REQUEST

U.S. Government Accountability Office

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

This testimony was amended on March 22, 2007, to correct the legend shown in figure 1. It now correctly reflects FTEs and Budget in FY 2006 dollars. The original testimony reversed the FTE and budget amounts in the legend.

G A O

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GAO-07-547T

Mrs. Chairwoman and Members of the Subcommittee:

I am pleased to appear before the subcommittee today in support of the fiscal year 2008 budget request for the U.S. Government Accountability Office (GAO). The requested funding will help us continue our support of the Congress in meeting its constitutional responsibilities and will help improve the performance and ensure the accountability of the federal government for the benefit of the American people. An overview of GAO's strategic plan for serving the Congress and our core values is included as appendix I.

I would also like to thank you and your subcommittee for your past support of GAO. I am especially appreciative of your efforts to help us avoid a furlough of our staff during fiscal year 2007. Had we not received additional funds this year and not taken other cost minimization actions, GAO would have likely been forced to furlough most staff for up to 5 days without pay. At the same time, due to funding shortfalls, we were not able to make pay adjustments retroactive to January 7, 2007.

It is through the efforts of our dedicated and capable staff that we were able to provide the Congress with the professional, objective, fact-based, nonpartisan, non-ideological, fair, and balanced information it needs to meet the full range of its constitutional responsibilities. I am extremely pleased and proud to say that we helped the federal government achieve a total of $51 billion in financial benefits in fiscal year 2006—a record high that represents a return on investment of $105 for every dollar the Congress invested in us. As a result of our work, we also documented 1,342 nonfinancial benefits that helped to improve service to the public, change laws, and transform government operations. The funding we received in fiscal year 2006 allowed us to conduct work that addressed many difficult issues confronting the nation, including U.S. border security, Iraq and Hurricane Katrina activities, the tax gap and tax reform, and issues affecting the health and pay of military service members. Our client-focused performance measures indicate that the Congress valued and was very pleased with our work overall.

While fiscal year 2006 was a record year, we will be required to constrain vital support to our staff and engagements in fiscal year 2007 in order to manage within available funds. Although the additional funding provided by the subcommittee allows us to avoid a furlough of our staff, we must implement a number of actions to cancel, reduce, or defer costs in order to manage within fiscal year 2007 funding constraints. In fact, our fiscal year 2007 budget for most programs and line items retains funding levels at or

near fiscal year 2006 funding levels—requiring that we absorb inflationary increases, which in turn reduce our purchasing power, erode progress toward our strategic goals, and ultimately affect our client service and employee support. For example, in our travel account—a critical element in our ability to conduct firsthand evaluation of federal funding and program activities—we expect transportation costs and per diem rates to rise (as they do annually). Also, our ability to hire staff to replace departing staff, address key succession planning challenges and skill gaps, and maintain a skilled workforce will be adversely affected. While we must hold some critical employee benefits at last year's funding level, such as transit benefits and student loan repayments, our pool of employees eligible to retire has increased since last year. Also, some other agencies may be offering increased benefits that will be attractive to our employees and potential recruits. In addition, we have reduced or deferred needed targeted investments and initiatives geared to further increasing productivity and effectiveness, achieving cost savings, and addressing identified management challenges.

Unfortunately, we expect that these actions will adversely affect our ability to respond to congressional requests, making it even more difficult to address supply and demand imbalances in areas such as health care, disaster assistance, homeland security, the global "war on terrorism," energy and natural resources, and forensic auditing. Our diminished capacity will likely, in turn, ultimately result in reduced annual financial benefits, findings, and recommendations to the Congress and the nation and necessitate reductions in our

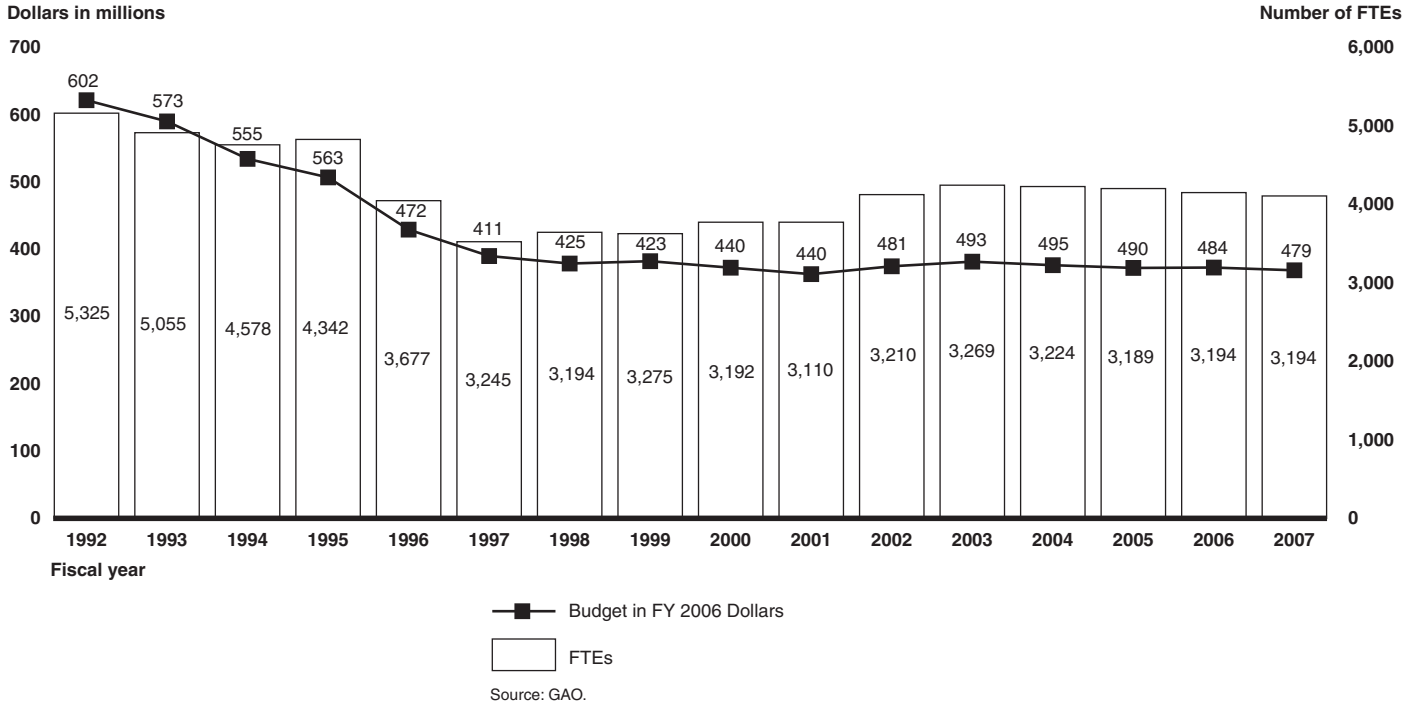
- ability to provide timely and responsive information to support congressional deliberations;
- testimonies on the Congress's legislative and oversight agenda;
- products containing recommendations for improvements in government operations;
- analyses of executive branch agencies budget justifications to support appropriations decisions;
- support on reauthorization activities for pending programs, such as the farm bill, Head Start, the Children's Health Insurance Program, and the No Child Left Behind Act; and

- oversight of legislative branch programs, including the Capitol Visitor Center.

In an effort to identify areas for potential improvement and help ensure accountability, we plan to contract with a public accounting firm in fiscal year 2008 to conduct a peer review of our financial audit practice and have an international team of auditors conduct an external peer review of our performance audit practices. GAO has received clean opinions on its previous external peer reviews. Consistent with generally accepted governmental auditing standards, external peer reviews are conducted on a 3-year cycle and serve to validate that the Congress and the American people can rely on our work and products.

In recent years, GAO has worked cooperatively with the appropriation committees to submit modest budget requests. During this period, and for a variety of reasons, GAO has gone from the largest legislative branch agency to the third largest in terms of total budgetary resources. Adjusting for inflation, GAO's budget authority has declined by 3 percent in constant fiscal year 2006 dollars since fiscal year 2003, as shown in figure 1. These modest budget results do not adequately recognize the return on investment that GAO has been able to generate. In fact, these increases have hampered our progress in rebuilding from the downsizing (40 percent reduction in staffing levels) and mandated funding reductions that occurred in the 1990s. Although GAO's fiscal year 2008 budget request represents a 7 percent increase in constant dollar terms over our fiscal year 2007 operating plan, it is one of the smallest increases requested in the legislative branch.

Figure 1: Budget Authority and Full-Time Equivalent (FTE) Usage, Fiscal Years 1992-2007



Source: GAO.

Shortly after I was appointed Comptroller General in November 1998, I determined that the agency should undertake a major transformation effort. As a result, GAO has become more results-oriented, partnerial, and client focused. With your support, we have made strategic investments; realigned the organization; streamlined our business processes; modernized our performance classification, compensation, and reward systems; enhanced our ability to attract, retain and reward top talent; enhanced the technology and infrastructure supporting our staff and systems; and made other key investments. These transformational efforts have allowed GAO to model best practices, lead by example, and provide significant support to Congressional hearings, while achieving record results and very high client satisfaction ratings without significant increases in funding.

We have taken a number of steps to deal with funding shortfalls in the past few years; however, we cannot continue to employ the same approaches. Our staff has become increasingly stretched and we are experiencing backlogs in several areas of critical importance to the Congress (e.g., health care, homeland security, energy and natural resources). In addition,

we have deferred key initiatives and technology upgrades (e.g., engagement and administrative process upgrades) for several years and it would not be prudent to continue to do so. These actions are having an adverse effect on employee morale, our ability to produce results, and the return on investment that we can generate.

There is a need for fundamental and dramatic reform to address what the government does, how it does business, and who will do the government's business. Our support to the Congress will likely prove even more critical because of the pressures created by our nation's current and projected budget deficit and growing long-term fiscal imbalance. Also, as we face current and projected supply and demand imbalance issues and a growing workload over the coming years across a wide spectrum of issues, GAO will be unable to respond to congressional demands without a significant investment in our future. We have exhausted the results that we can achieve based on prior investments. Our ability to continue to produce record results and assist the Congress in discharging its Constitutional responsibilities relating to authorization, appropriations, oversight, and other matters will be adversely impacted unless we take action now.

Therefore, our fiscal year 2008 budget request is designed to restore GAO's funding to more reasonable operating levels. Specifically, we are requesting fiscal year 2008 budget authority of $530 million, an 8.5 percent increase over our fiscal year 2007 funding level. The additional funds provided in fiscal year 2007 have helped reduce our requested increase for fiscal year 2008 from 9.4 percent to 8.5 percent. This funding level also represents a reduction below the request we submitted to the Office of Management and Budget (OMB) in January as a result of targeted adjustments to our planned fiscal year 2008 hiring plan. Our fiscal year 2008 budget request will allow us to achieve our performance goals to support the Congress as outlined in our strategic plan[1] and rebuild our workforce capacity to allow us to better respond to supply and demand imbalances in responding to congressional requests. This funding will also help us address our caseload for bid protest filings, which have increased by more than 10 percent from fiscal years 2002 through 2006. Our workload for the first quarter of fiscal year 2007 suggests a continuation of this upward trend in bid protest fillings.

[1]In the spring of 2007, we plan to issue our updated strategic plan covering fiscal years 2007-2012 to reflect the agenda for the 110th Congress.

We will be seeking your commitment and support to provide the funding needed to increase GAO's staffing level to 3,750 over the next 6 years in order to address critical needs including supply and demand imbalances, high-risk areas, 21st Century Challenges questions, technology assessments, and other areas in need of fundamental reform. In addition, as we get closer to when GAO may be able to render our opinion on the consolidated financial statements of the U. S. government and the Department of Defense's financial and related systems, we will need to increase our workforce capacity. We will be providing the Congress additional information on the basis for and nature of this target later this year.

Importantly, as I noted last year, we also plan to request legislation that will assist GAO in performing its mission work, and enhance our human capital policies, including addressing certain compensation and benefits issues of interest to our employees. We plan to submit our proposal to our Senate and House authorization and oversight committees in the near future.

My testimony today will focus on key efforts that GAO has undertaken to support the Congress, our fiscal year 2006 performance results, our budget request for fiscal year 2008 to support the Congress and serve the American people, and proposed legislative changes.

Key Efforts to Support the Congress

As is the case with each new Congress, we are beginning to have discussions with regard to many new requests for GAO's professional, objective, fact-based, nonpartisan, and non-ideological information, analysis, and recommendations. On November 17, 2006, I was pleased to offer three sets of recommendations for your consideration as part of the agenda of the 110th Congress. The first recommendation suggests targets for near-term oversight; the second proposes policies and programs in need of fundamental reform and re-engineering; the third lists governing issues. The proposals represent an effort to synthesize GAO's institutional knowledge and special expertise and suggest both the breadth and the depth of the issues facing the new Congress. We at GAO stand ready to assist the 110th Congress in meeting its constitutional responsibilities. To be effective, congressional hearings and other activities should offer opportunities to share best practices, facilitate governmentwide transformation, and promote accountability for delivering positive results.

On January 9, 2007, we presented GAO's assessment of the key oversight issues related to Iraq for consideration in developing the oversight agenda

of the 110th Congress and in analyzing the President's revised strategy for Iraq. This assessment was based on our ongoing work and the 67 Iraq-related reports and testimonies we have provided to the Congress since May 2003. Our work spans the security, political, economic, and reconstruction prongs of the U.S. national strategy in Iraq. The broad, crosscutting nature of this work helps minimize the possibility of overlap and duplication by any individual inspector general. Our work has focused on the U.S. strategy and costs of operating in Iraq, training and equipping the Iraqi security forces, governance and reconstruction issues, the readiness of U.S. military forces, and achieving desired acquisition outcomes. Our current work draws on our past work and regular site visits to Iraq and the surrounding region, such as Jordan and Kuwait. We plan to establish a presence in Iraq beginning later this fiscal year to provide additional oversight of issues deemed important to the Congress; subject to approval by the U.S. Department of State and adequate funding. We have requested supplemental fiscal year 2007 funds of $374,000 to support this effort.

In January of this year, we also issued our High-Risk Series: An Update, which identifies federal areas and programs at risk of fraud, waste, abuse, and mismanagement and those in need of broad-based transformations. The issues affecting many of these areas and programs may take years to address, and the report will serve as a useful guide for the Congress's future programmatic deliberations and oversight activities. Issued to coincide with the start of each new Congress, our high-risk update, first issued in 1993, has helped Members of the Congress who are responsible for oversight and executive branch officials who are accountable for performance. Our high-risk program focuses on major government programs and operations that need urgent attention or transformation to ensure that our government functions in the most economical, efficient, and effective manner possible. Overall, our high-risk program has served to identify and help resolve a range of serious weaknesses that involve substantial resources and provide critical services to the public. Table 1 details our 2007 high-risk list.

Table 1: GAO's 2007 High-Risk List

2007 high-risk area	Year designated high risk
Addressing challenges in broad-based transformations	
Strategic Human Capital Management[a]	2001
Managing Federal Real Property[a]	2003
Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	1997
Implementing and Transforming the Department of Homeland Security	2003
Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
Department of Defense (DOD) Approach to Business Transformation[a]	2005
DOD Business Systems Modernization	1995
DOD Personnel Security Clearance Program	2005
DOD Support Infrastructure Management	1997
DOD Financial Management	1995
DOD Supply Chain Management (formerly Inventory Management)	1990
DOD Weapon Systems Acquisition	1990
Federal Aviation Administration Air Traffic Control Modernization	1995
Financing the Nation's Transportation System[a] **(New)**	2007
Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests[a] **(New)**	2007
Transforming Federal Oversight of Food Safety[a] **(New)**	2007
Managing federal contracting more effectively	
DOD Contract Management	1992
Department of Energy Contract Management	1990
National Aeronautics and Space Administration Contract Management	1990
Management of Interagency Contracting	2005
Assessing the efficiency and effectiveness of tax law administration	
Enforcement of Tax Laws[a]	1990
Internal Revenue Service (IRS) Business Systems Modernization	1995
Modernizing and safeguarding insurance and benefit programs	
Modernizing Federal Disability Programs[a]	2003
Pension Benefit Guaranty Corporation Single-Employer Insurance Program[a]	2003
Medicare Program[a]	1990
Medicaid Program[a]	2003
National Flood Insurance Program	2006

Source: GAO.

[a]Legislation is likely to be necessary, as a supplement to actions by the executive branch, in order to effectively address this high-risk area.

In February of this year, we issued a new publication entitled *Fiscal Stewardship: A Critical Challenge Facing Our Nation* that is designed to provide the Congress and the American public, in a relatively brief and understandable form, selected budget and financial information regarding our nation's current financial condition, long-term fiscal outlook, and possible ways forward. In the years ahead, our support to the Congress will likely prove even more critical because of the pressures created by our nation's current and projected budget deficit and growing long-term fiscal imbalance. Indeed, as the Congress considers those fiscal pressures, it will be grappling with tough choices about what government does, how it does business, and who will do the government's business. GAO is an invaluable tool for helping the Congress review, reprioritize, and revise existing mandatory and discretionary spending programs and tax policies.

In addition, I have participated in a series of town hall forums around the nation to discuss the federal government's current financial condition and deteriorating long-term fiscal outlook, including the challenges posed by known long-term demographic trends and rising health care costs. These forums, popularly referred to as the "Fiscal Wake-up Tour," are led by the Concord Coalition and also include the Heritage Foundation, the Brookings Institution, and a range of "good government" groups. The Fiscal Wake-up Tour states the facts regarding the nation's current financial condition and long-term fiscal outlook in order to increase public awareness and accelerate actions by appropriate federal, state, and local officials.

Performance, Results, and Plans

We anticipate that the funds requested for fiscal year 2008 will support efforts similar to those just completed in fiscal year 2006. The following discussions summarize that work.

In fiscal year 2006, major events like the nation's recovery from natural disasters, ongoing military conflicts abroad, terrorist threats, and potential pandemics repeatedly focused the public eye on the federal government's ability to operate effectively and efficiently and provide services to Americans when needed. Our work during the year helped the Congress and the public judge how well the federal government performed its functions and consider alternative approaches for improving operations and laws when performance was less than adequate. For example, teams supporting all three of our external strategic goals performed work related to every facet of the Hurricane Katrina and Rita disasters—preparedness, response, recovery, long-term recovery, and mitigation. We developed a coordinated and integrated approach to ensure that the Congress's need

for factual information about disaster preparedness, response, recovery, and reconstruction activities along the Gulf Coast was met. We examined how federal funds were used during and after the disaster and identified the disaster rescue, relief, and rebuilding processes that worked well and not so well throughout the effort. To do this, staff drawn from across the agency spent time in the hardest hit areas of Louisiana, Mississippi, Alabama, and Texas, collecting information from government officials at the federal, state, and local levels as well as from private organizations assisting with this emergency management effort. We briefed congressional staff on our preliminary observations early in fiscal year 2006 and subsequently issued over 30 reports and testimonies on Hurricanes Katrina and Rita by fiscal year end, focusing on, among other issues, minimizing fraud, waste, and abuse in disaster assistance and rebuilding the New Orleans hospital care system.

The following tables provide summary information on GAO's fiscal year 2006 performance and the results achieved in support of the Congress and the American people. Additional information on our performance results can be found in *Performance and Accountability Highlights Fiscal Year 2006* at www.gao.gov.

Table 2 provides examples of how GAO assisted the nation in fiscal year 2006.

Table 2: Examples of How GAO Assisted the Nation in Fiscal Year 2006

Goal	Description	GAO provided information that helped to…
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**	• protect Social Security numbers from abuse • ensure the effectiveness of federal investments in science, technology, engineering, and mathematics education programs • identify actions needed to improve Federal Emergency Management Agency and Red Cross coordination for the 2006 hurricane season • highlight weaknesses in the Department of Health and Human Services' communications with beneficiaries about the new Medicare prescription drug benefit • identify funding formula and drug pricing disparities in the federal AIDS/HIV program • strengthen the oversight of clinical laboratories • identify challenges the Department of Homeland Security faces in controlling illegal immigration into the United States • assess the thoroughness of the federal fair housing complaint and investigation processes • improve the management of federal oil and natural gas royalty revenue • develop a strategy for managing wildfires • focus on the short- and long-term challenges of financing the nation's transportation infrastructure • identify outdated mail delivery performance standards used by the U.S. Postal Service
2	Provide timely, quality service to the Congress and the federal government to respond to **changing security threats and the challenges of global interdependence**	• identify current and future funding and cost issues related to DOD operations in Iraq and Afghanistan • highlight inefficiencies that could hinder DOD's efforts to reform its business operations • improve controls over the issuance of passports and visas and increase fraud prevention • improve catastrophic disaster preparedness, response, and recovery • improve the ability of federal agencies to cost effectively acquire goods and services • improve the management of payments to U.S. producers injured financially by unfairly traded imports • alert the Congress to companies that are marketing costly mutual fund products with low returns to military service members • identify steps needed to overhaul investment and management processes supporting major DOD acquisitions • improve security at nuclear power plants • improve the Department of Homeland Security's ability to detect nuclear smuggling at U.S. ports • promote government efforts to secure sensitive systems and information • highlight the cost concerns of small public companies that must comply with internal control and auditing provisions of the Sarbanes-Oxley Act

Goal	Description	GAO provided information that helped to…
3	**Help transform the federal government's role** and how it does business to meet 21st century challenges	• improve congressional oversight of the process for reviewing foreign direct investment • strengthen DOD's information systems modernization efforts • highlight serious technical and cost challenges affecting the purchase of a critical weather satellite • highlight key practices federal agencies should adopt to prevent data breaches and better protect the personal information of U.S. citizens • monitor the development of the 2010 decennial census • identify strategies to reduce the gap between the taxes citizens pay and the taxes actually owed • focus attention on the revenue consequences of tax expenditures • identify fraud, waste, and abuse in a component of the Federal Emergency Management Agency's disaster assistance program • emphasize the importance of reliable cost information for improving governmentwide cost efficiency • expose government contractors who used for personal gain federal payroll taxes withheld from their employees
4	**Maximize the value of GAO** by being a model federal agency and a world-class professional services organization	• foster among other federal agencies GAO's innovative human capital practices, such as broad pay bands; performance-based compensation; and workforce planning and staffing strategies, policies, and processes • share GAO's model business and management processes with counterpart organizations in the United States and abroad

Source: GAO.

Outcomes of Our Work and the Road Ahead

During fiscal year 2006, we used 16 annual performance measures that capture the results of our work; the assistance we provided to the Congress; our ability to attract, retain, develop, and lead a highly professional workforce; and how well our internal administrative services help employees get their jobs done and improve their work life (see table 3). We generally exceeded the targets we set for all of our performance measures, which indicate our ability to produce results for the nation and serve the Congress.

Table 3: Agencywide Summary of Annual Measures and Targets

Performance measures	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
Results							
Financial benefits (dollars in billions)	$37.7	$35.4	$44.0	$39.6	$51.0	$40.0	$41.5
Nonfinancial benefits	906	1,043	1,197	1,409	1,342	1,100	1,150
Past recommendations implemented	79%	82%	83%	85%	82%	80%	80%
New products with recommendations	53%	55%	63%	63%	65%	60%	60%
Client							
Testimonies	216	189	217	179	240	185	220
Timeliness	96%	97%	97%	97%	92%	95%	95%
People							
New hire rate	96%	98%	98%	94%	94%	95%	95%
Acceptance rate	81%	72%	72%	71%	70%	72%	72%
Retention rate with retirements	91%	92%	90%	90%	90%	90%	90%
Retention rate without retirements	97%	96%	95%	94%	94%	94%	94%
Staff development	71%	67%	70%	72%	76%	75%	76%
Staff utilization	67%	71%	72%	75%	75%	78%	78%
Leadership	75%	78%	79%	80%	79%	80%	80%
Organizational climate	67%	71%	74%	76%	73%	76%	76%
Internal operations							
Help get job done	N/A	3.98	4.01	4.10	4.1	4.0	4.0
Quality of work life	N/A	3.86	3.96	3.98	4.0	4.0	4.0

Source: GAO.

Note: N/A indicates the information is not available.

In fiscal year 2006, our work generated $51 billion in financial benefits, primarily from actions agencies and the Congress took in response to our recommendations. Of this amount, about $27 billion resulted from changes to laws or regulations, $10 billion resulted from agency actions based on our recommendations to improve services to the public, and $14 billion resulted from improvements to core business processes. See figure 2 for examples of our fiscal year 2006 financial benefits.

Figure 2: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2006

Sources: Art Explosion and PhotoDisc.

Description	Amount
Ensured continued monetary benefits from federal spectrum auctions.	$6.1
Encouraged DOD to identify and reduce unobligated funds in the military services' operations and maintenance budget	3.9
Recommended payment methods that cut Medicare costs for durable medical equipment, orthotics, and prosthetics.	2.9
Helped to ensure that certain U.S. Postal Service retirement-related benefits would be funded.	2.2
Identified recoverable costs for the Tennessee Valley Authority.	1.8
Helped to increase collections of civil debt.	1.6
Encouraged the Department of Housing and Urban Development to take actions to reduce improper payments.	1.4
Supported the Department of Energy's efforts to reduce its carryover funds.	1.2

Source: GAO.

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2006, we recorded a total of 1,342 nonfinancial benefits. For example, we documented 61 instances where information we provided to the Congress resulted in statutory or regulatory changes, 667 instances where federal agencies improved services to the public, and 614 instances where agencies improved core business processes or governmentwide reforms were advanced. These actions spanned the full spectrum of national issues, from identifying the adverse tax impact of combat pay and certain tax credits on low-income military families to improving the Department of State's process for developing staffing projections for new embassies. See figure 3 for additional examples of GAO's nonfinancial benefits in fiscal year 2006.

Figure 3: GAO's Selected Nonfinancial Benefits Reported in Fiscal Year 2006

Sources: Art Explosion and PhotoDisc.

Nonfinancial benefits that helped to change laws
Deficit Reduction Act of 2005, Pub. L. No. 109-171. Our work is reflected in this law in different ways. • Strengthened Medicaid program integrity. • Improved oversight of the states' performance under the Temporary Assistance for Needy Families program. • Addressed domestic violence. • Improved oversight of schools that are lenders.
Safe and Timely Interstate Placement of Foster Children Act of 2006, Pub. L. No. 109-239
Nonfinancial benefits that helped to improve services to the public
Strengthened passport and visa issuance processes.
Identified vulnerabilities in the process to verify personal information about new drivers.
Contributed to the increased visibility of a transportation information sharing program for seniors.
Identified a problem with untimely pay allowances to deployed soldiers.
Nonfinancial benefits that helped to promote sound agency and governmentwide management
Improved the quality of federal voluntary voting system standards.
Highlighted weaknesses in the Federal Aviation Administration's control over computers and other assets.
Strengthened oversight of federal personnel actions.
Encouraged federal agencies to seek savings on purchase cards.
Identified improper payments in DOD's travel accounts.

Source: GAO.

During fiscal year 2006, experts from our staff testified at 240 congressional hearings covering a wide range of complex issues (seetable 4). For example, our senior executives testified on a variety of issues, including freight rail rates, AIDS assistance programs, and federal contracting. Over 100 of the hearings at which we testified were related to areas and programs we designated as high risk.

Table 4: GAO's Selected Testimony Issues by Strategic Goal, Fiscal Year 2006

Goal 1: Address Challenges to the Well-Being and Financial Security of the American People		
• Health savings accounts • Guardianships that protect incapacitated seniors • Lake Pontchartrain hurricane protection project • Funds to first responders for 9/11 health problems • Immigration enforcement at work sites • Future air transportation system	• Nursing home care for veterans • Passenger rail security issues • Freight railroad rates • AIDS drug assistance programs • Federal Housing Administration reforms • Improving intermodal transportation	• Hartford nuclear waste treatment plant • Evaluations of supplemental educational services • Factors affecting gasoline prices • Telecommunication spectrum reform • H-1B visa program • Federal crop insurance program
Goal 2: Respond to Changing Security Threats and the Challenges of Globalization		
• A comprehensive strategy to rebuild Iraq • Deploying radiation detection equipment in other countries • Protecting military personnel from unscrupulous financial products • Sensitive information at DOD and the Department of Energy • Hurricane Katrina preparedness, response, and recovery	• Alternative mortgage products • Global war on terrorism costs • Transportation Security Administration's Secure Flight program • DOD's business systems modernization • U.S. tactical aircraft • National Capital Region Homeland Security Strategic Plan	• Polar-orbiting operational environmental satellites • Worldwide AIDS relief plan • Financial stability and management of the National Flood Insurance Program • Information security laws • Procurement controls at the United Nations
Goal 3: Help Transform the Federal Government's Role and How It Does Business		
• Contract management challenges in rebuilding Iraq • DOD's financial and business management transformation • Business tax reform • Astronaut exploration vehicle risks • Improving federal financial management governmentwide • Long-term fiscal challenges • Federal contracting during disasters	• Improving tax compliance to reduce the tax gap • Protecting the privacy of personal information • DOD acquisition incentives • Decennial Census costs • Information security weaknesses at the Department of Veterans Affairs • Improper federal payments for Hurricane Katrina relief	• Strengthening the Office of Personnel Management's ability to lead human capital reform • Public/private recovery plan for the Internet • Tax system abuses by General Services Administration contractors • Compensation for federal executives and judges

Source: GAO.

GAO's Fiscal Year 2008 Request to Support the Congress

Our fiscal year 2008 budget request seeks the resources necessary to allow GAO to rebuild and enhance its workforce, knowledge capacity, employee programs, and infrastructure. These items are critical to ensure that GAO can continue to provide congressional clients with timely, objective, and reliable information on how well government programs and policies are working and, when needed, recommendations for improvement. In the years ahead, our support to the Congress will likely prove even more critical because of the pressures created by our nation's current and

projected budget deficit and growing long-term fiscal imbalance. GAO is an invaluable tool for helping the Congress review, reprioritize, and revise existing mandatory and discretionary spending programs and tax policies.

Consistent with our strategic goal to be a model agency, we continuously assess our operations to ensure that GAO remains an effective, high-performing organization, providing timely, critical support to the Congress while being fiscally responsive. Our objective is to be an employer of choice; maintain skills/knowledge, performance-based, and market-oriented compensation systems; adopt best practices; benchmark service levels and costs against comparable entities; streamline our operations to achieve efficiencies; assess opportunities for cross-servicing, outsourcing, or business process re-engineering; and leverage technology to increase efficiency, productivity, and results. We also continue to partner within and across the legislative branch through the legislative branch Chief Administrative Officers, financial management, and procurement councils.

Transformational change and innovation is essential for progress. Our fiscal year 2008 budget request includes funds to regain the momentum needed to achieve these goals. Our fiscal year 2008 budget request will allow GAO to

- address supply and demand imbalances in responding to congressional requests for studies in areas such as health care, disaster assistance, homeland security, the global "war on terrorism," energy and natural resources, and forensic auditing;
- address our increasing bid protest workload;
- be more competitive in the labor markets where GAO competes for talent;
- address critical human capital components, such as knowledge capacity building, succession planning, and staff skills and competencies;
- enhance employee recruitment, retention, and development programs;
- restore program funding levels and regain our purchasing power;
- undertake critical initiatives necessary to continuously re-engineer processes geared to increasing our productivity and effectiveness and addressing identified management challenges; and

- pursue critical structural and infrastructure maintenance and improvements.

Our fiscal year 2008 budget request represents an increase of $41.7 million (or 8.5 percent) over our fiscal year 2007 funding level and includes about $523 million in direct appropriations and authority to use about $7.5 million in offsetting collections as illustrated in table 5. This request reflects a reduction of nearly $5.4 million in nonrecurring fiscal year 2007 costs used to offset the fiscal year 2008 increase.

Table 5: Fiscal Year 2008 Budget Request, Summary of Requested Changes

Dollars in thousands

Budget category	FTEs	Amount	Cumulative percentage of change
FY 2007 enacted budget authority	**3,159**	**$488,627**	
FY 2008 requested changes			
Nonrecurring FY 2007 costs		($5,374)	(1.1%)
Mandatory pay costs		19,841	3.0%
Uncontrollable cost increases		5,079	4.0%
Rebuild our capacity	58	14,826	7.0%
Critical investments in technology improvements and other transformation areas		7,314	8.5%
Net FY 2008 increase	**58**	**$41,686**	**8.5%**
FY 2008 budget authority	**3,217**	**$530,313**	

Source: GAO.

Mandatory pay and uncontrollable cost increases. We are requesting $24.9 million to cover anticipated mandatory performance-based pay and uncontrollable inflationary increases resulting primarily from annual across-the-board and performance-based increases, annualization of prior fiscal year costs, and an increase in the number of compensable days in fiscal year 2008. These costs also include uncontrollable inflationary increases imposed by vendors as the cost of doing business.

Rebuilding our capacity. Our fiscal year 2007 budget request sought funds to support an increase of 50 FTEs from 3,217 to 3,267. However, in order to manage within expected funding levels in fiscal year 2007, we will significantly curtail hiring by about 50 percent below the previous year, resulting in a projected FTE utilization of 3,159—well below our planned

level. In fiscal years 2007 and 2008, we anticipate attrition of over 600 staff that will result in a significant drain on GAO's knowledge capacity or institutional memory. Further, almost 20 percent of all GAO staff will be eligible for retirement by the end of fiscal year 2008, including almost 45 percent of our senior executive service.

Thus, in fiscal year 2008, we are seeking funds to rebuild our staff and knowledge capacity. In fiscal year 2008, we plan to hire about 490 staff—the maximum that we could reasonably absorb—increasing our FTE utilization to 3,217. While we are tempering our immediate FTE request, increasingly higher demands are being placed on GAO. We are experiencing supply and demand imbalances in several areas of critical importance to the Congress (e.g., health care, homeland security, and energy and natural resources). We have also seen an increase in the number of bid protest filings.

Also, to remain competitive in the labor markets, we need to increase employee benefits in areas such as student loan repayments and transit subsidies where funding constraints in fiscal year 2007 limit our flexibility. For example, effective in January 2007, the IRS increased the monthly benefit for transit subsidies for eligible employees who commute using public transportation. GAO, however, is unable to extend this increased benefit to staff.

In addition, we need to ensure that staff have the appropriate tools and resources to perform effectively, including training and development, travel funds, and technology. And when our staff perform well, they should be appropriately rewarded.

Undertake critical investments. We are requesting funds to undertake critical investments that would allow us to implement technology improvements and streamline and re-engineer work processes to enhance the productivity and effectiveness of our staff, conduct essential investments that have been deferred as the result of funding constraints and cannot continue to be deferred, and implement responses to changing federal conditions, such as smart card technology. Also, during recent years, we reduced, deferred, and slowed the pace of critical upgrades (e.g., engagement and administrative process upgrades) and deferred nonessential administrative activities. In fiscal year 2008, we would like to have sufficient funding to take action to protect our current investments and continue to be a model agency and lead by example.

Legislative authority. We are requesting legislation to establish a Board of Contract Appeals at GAO to adjudicate contract claims involving contracts awarded by legislative branch agencies. GAO has performed this function on an ad hoc basis over the years for appeals of claims from decisions of the Architect of the Capitol on contracts that it awards. Recently we have agreed to handle claims arising under Government Printing Office contracts. The legislative proposal would promote efficiency and predictability in the resolution of contractor and agency claims by consolidating such work in an established and experienced adjudicative component of GAO and would permit GAO to recover its costs of providing such adjudicative services from legislative branch users of such services.

We also plan to request legislation that will assist GAO in performing its mission work and enhance our human capital policies, including addressing certain compensation and benefits issues of interest to our employees. While there are a number of important provisions, today I will only discuss several of the significant ones. Regarding provisions concerned with mission work, we have identified a number of legislative mandates that are either no longer meeting the purpose intended or should be performed by an entity other than GAO. We are working with the cognizant entities and the appropriate authorization and oversight committees to discuss the potential impact of legislative relief for these issues. Another provision would modernize the authority of the Comptroller General to administer oaths in performance of the work of the office. To keep the Congress apprized of difficulties we have interviewing agency personnel and obtaining agency views on matters related to ongoing mission work, we will suggest new reporting requirements. When agencies or other entities ignore a request by the Comptroller General to have personnel provide information under oath, make personnel available for interviews, or provide written answers to questions, the Comptroller General would report to the Congress as soon as practicable and also include such information in the annual report to the Congress.

In regard to GAO's human capital flexibilities, among other provisions, we are proposing a flexibility that allows us to better approximate market rates for professional positions by increasing our maximum pay for other than the Senior Executive Service and Senior Level from GS-15, step 10, to Executive Level III. Additionally, under our revised and contemporary merit pay system, certain portions of an employee's merit increase, below applicable market-based pay caps, are not permanent. Since this may impact an employee's high three for retirement purposes, another key

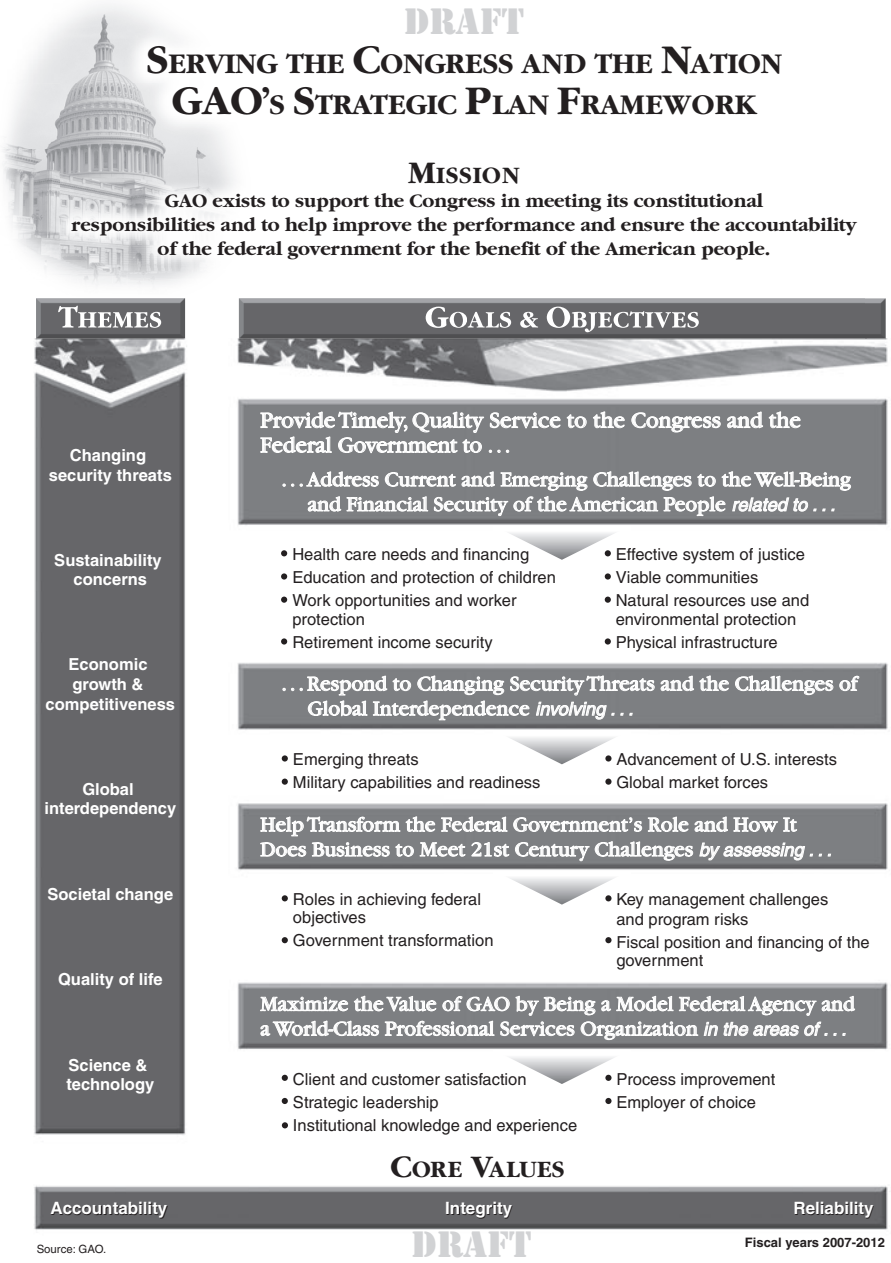
provision of the bill would enable these nonpermanent payments to be included in the retirement calculation for all GAO employees, except senior executives and senior level personnel.

Concluding Remarks

In summary, I believe that you will find our budget request reasonable, responsible, and well-justified given the important role that GAO plays and the unparalleled return on investment that GAO generates. We are grateful for the Congress's continued support of our mutual effort to improve government and for providing the resources that allow us to be a world-class professional services organization. We are proud of our record performance and the positive impact we have been able to effect in government over the past year and believe an investment in GAO will continue to yield substantial returns for the Congress and the American people. Our nation will continue to face significant challenges in the years ahead. GAO's expertise and involvement in virtually every facet of government positions us to provide the Congress with the timely, objective, and reliable information it needs to discharge its constitutional responsibilities.

Mrs. Chairwoman and Members of the Subcommittee, this concludes my prepared statement. At this time, I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

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



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