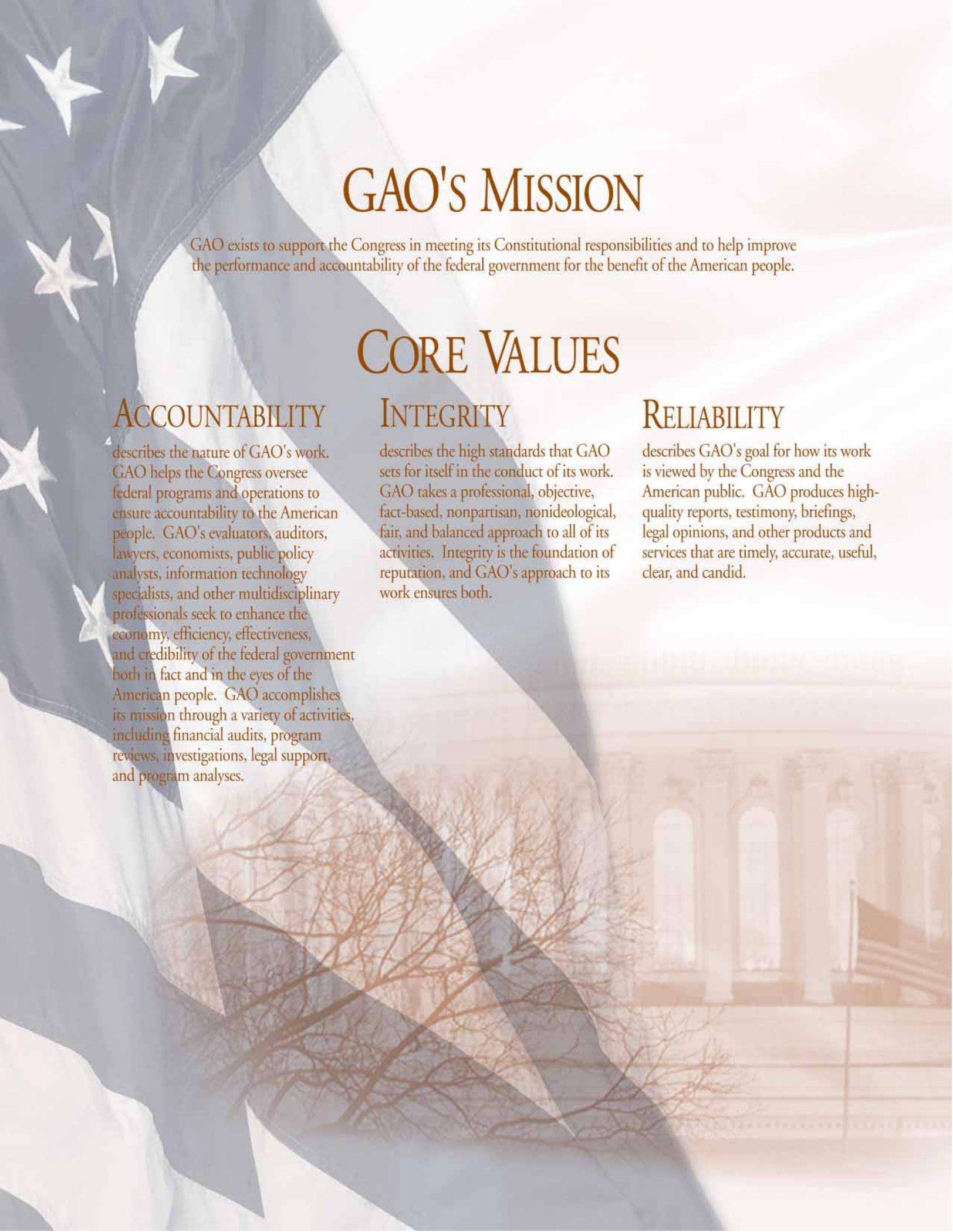




We have revised a few performance goals. To view the revisions, please click in this box.

STRATEGIC 2000 ★ 2005 *Plan*



GAO'S MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

CORE VALUES

ACCOUNTABILITY

describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people. GAO accomplishes its mission through a variety of activities, including financial audits, program reviews, investigations, legal support, and program analyses.

INTEGRITY

describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work ensures both.

RELIABILITY

describes GAO's goal for how its work is viewed by the Congress and the American public. GAO produces high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

COMPTROLLER GENERAL OF THE UNITED STATES

Spring 2000

I am pleased to present the U.S. General Accounting Office's (GAO) *Strategic Plan, 2000-2005*. As our first strategic plan for the 21st century, this document is a blueprint for how we will support Congress and the American people in the future. It also represents a vision for strengthening the performance and accountability of the federal government.

Yet the plan does more: It describes how important dynamic themes are likely to influence Americans, the government, the country, and even the world in the coming years. Building on global changes that are impacting society on a variety of levels, our strategic plan develops a comprehensive and focused structure of long-term goals and objectives to support the Congress in its legislative, oversight, and investigative roles. We worked closely with the legislature's leadership, committee leadership, individual Members, and staff, in the development of this strategic plan. Thus, this plan not only represents Congress's views about what it believes to be important and emerging issues, it also establishes a framework for seeing fundamental constitutional responsibilities in the context of challenges and changes in the coming years.

GAO, as the nation's premier accountability institution, also derives benefits from this strategic plan. We are realigning our organization and resources to better address the issues detailed in our strategic plan. In addition, we will hold ourselves accountable for the effectiveness of our performance on each element of this strategic plan. Finally, by taking actions to implement the strategic plan, we can ensure our ability to help the Congress achieve its goals.

I wish to thank Members of Congress and staff, and everyone at GAO, who contributed to our strategic plan. In developing this plan, we also consulted with agency Inspectors General, our sister agencies, and numerous other interested organizations and parties. Although there were no contrary views, we made changes throughout based on the comments we received. While we will never completely know what the future brings, *GAO's Strategic Plan, 2000-2005*, should help the Congress to better anticipate important issues, to improve accountability and credibility in government, and to sustain and strengthen the nation's quality of life.

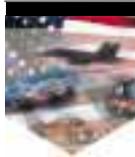
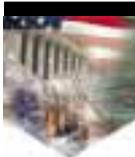
The full set of GAO's strategic planning, performance, and accountability documents include the: (1) *Strategic Plan Executive Summary*; (2) *Strategic Plan, 2000-2005*; (3) individual strategic objective plans; (4) strategic plan framework document; (5) *Accountability Report* for fiscal year 1999; and (6) *Performance Plan Fiscal Year 2001*. All of these documents, as well as other GAO reports and documents, may be obtained electronically on our website, www.gao.gov. If you have questions or desire information related to this plan, please contact me at (202) 512-5500 or walkerd@gao.gov or Gene L. Dodaro, Chief Operating Officer, at (202) 512-5600 or dodarog@gao.gov.

Sincerely yours,



David M. Walker
Comptroller General
of the United States

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EXECUTIVE OVERVIEW

Introduction

This is GAO's first strategic plan for the 21st century, covering fiscal years 2000 through 2005. The nation today is enjoying prosperity and peace, but the future holds difficult choices for American citizens and their elected officials as they strive to prepare for the future and to meet public expectations for the federal government. Paradoxically, an era of budget surpluses may be no less challenging for the United States than times of deficits, particularly as society and the world in which we live continue to change. While the budget forecasts suggest a freedom from the immediate constraints of past years, the impending retirement of the Baby Boom generation and the overall aging of the population signal emerging fiscal challenges. Therefore, in addressing claims on current resources, decisionmakers must be able to distinguish wants from needs and to judge what the nation can afford, both now and in the longer term.

We believe GAO has an important part to play in supporting the Congress in meeting these challenges, and this plan represents our effort to communicate that vision. It describes

- our role and mission in the federal government—who we are and what we do;
- the core values that guide our work—our beliefs and boundaries;
- the trends, conditions, and external factors underlying our plan—our perspectives on evolving world events and accompanying future challenges;
- our goals, objectives, and strategies—what we hope to accomplish and how;
- changes in external factors that could affect our goals and objectives; and
- performance measures and evaluations—how we will know whether we are achieving our goals and objectives.

Our intent is to update the strategic plan every 2 years for each Congress. To supplement this overall plan, we are also providing more detailed plans describing work planned to meet each of the strategic objectives contained in the plan. Each year, along with our budget requests, we will be submitting to the Congress performance plans that detail our annual performance goals and indicate how we intend to measure our performance. We will also each year measure our progress in achieving the goals and objectives through our annual accountability report.

SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK



MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT	SUPPORT THE TRANSITION	MAXIMIZE THE VALUE OF GAO
TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE	TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE	TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT
		BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT

THEMES

Demographics	Globalization	Quality of Life Government Performance and Accountability	Security	Technology
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OBJECTIVES

<ul style="list-style-type: none"> Health care needs and financing Retirement income security Social safety net Education/workforce issues Effective system of justice Community investment Natural resources use and environmental protection Physical infrastructure 	<ul style="list-style-type: none"> Diffuse security threats Military capabilities and readiness Advancement of U.S. interests Global market forces 	<ul style="list-style-type: none"> Fiscal position of the government Government financing and accountability Governmentwide management reforms Economy, efficiency, and effectiveness improvements in federal agencies 	<ul style="list-style-type: none"> Client relations Strategic and annual planning Human capital Core business and supporting processes Information technology services
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CORE VALUES

Accountability	Integrity	Reliability
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GAO's Mission, Services, and Values

GAO's mission is to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people. Nearly all our work is mandated in legislation or requested by Committee or Subcommittee Chairs, Ranking Minority Members, or individual members of appropriations, authorizing, budget, or oversight committees. Most of GAO's work is based upon original data collection and analysis. All of our work is conducted in accordance with applicable professional audit and investigation standards.

We support congressional oversight in several ways:

- We evaluate federal policies and the performance of agencies and programs to determine how well they are working.
- We oversee government operations through financial and other management audits to determine whether public funds are being spent efficiently, effectively, and in accordance with applicable laws.
- We conduct investigations to assess whether illegal or improper activities are occurring.
- We analyze financing for government activities.
- We provide legal opinions to determine whether agencies are in compliance with laws and regulations.
- We conduct analyses to assess needed actions and the implications of proposed actions.

Our role is both to meet short-term needs for information and to help the Congress better understand issues that are newly emerging, longer-term in nature, broad in scope, and cutting across government. The Congress looks to us to turn assertions and information into facts and knowledge.

Three core values underlie our work:

- *Accountability*, to enhance the economy, efficiency, effectiveness, and credibility of the federal government.
- *Integrity*, to do work that is professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced.
- *Reliability*, to produce reports and other products that are timely, accurate, useful, clear, and candid.

Themes Underlying the Plan

In charting our work over the next several years, our plan takes into account the forces that are likely to shape American society, the United States' place in the world, and the role of the federal government. We identified six areas that have implications for congressional decisionmaking and therefore underlie our strategic goals and objectives

- ❁ *Globalization*, or the interdependence of enterprises, economies, and national governments.
- ❁ *Security*, particularly new and diffuse threats of national, economic, and personal dimensions.
- ❁ *Demographics*, or changes in the age and composition of the population and related dependency ratios.
- ❁ *Quality of life*, or changes that affect the world, countries, communities, families, and individuals.
- ❁ *Technological innovation*, productivity enhancements, and new vulnerabilities created by these changes.
- ❁ *Government performance and accountability*, or changes in the role of government and related public expectations.

Goals and Objectives

In light of these trends, and in keeping with our mission and responsibilities, we have identified four strategic goals and 21 related strategic objectives for the next 6 years. Because our mission is tied to the Congress's role under the Constitution, two of our strategic goals are broadly related to the powers conferred on the Congress to provide for the general welfare and common defense of the United States. These objectives are sometimes interdependent and need to be examined together to identify opportunities for greater efficiencies.

- ❁ **GOAL 1:** Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people
 - ❁ *Strategic objectives:* To support congressional and federal decisionmaking on
 - ❁ The health needs of an aging and diverse population
 - ❁ A secure retirement for older Americans
 - ❁ The social safety net for Americans in need
 - ❁ An educated citizenry and a productive workforce
 - ❁ An effective system of justice

- ❁ Investment in community and economic development
 - ❁ Responsible stewardship of natural resources and the environment
 - ❁ A safe and efficient national physical infrastructure
- ❁ **GOAL 2:** Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence
- ❁ *Strategic objectives:* To support congressional and federal decisionmaking on
 - ❁ Diffuse threats to national and global security
 - ❁ Military capabilities and readiness
 - ❁ U.S. international interests
 - ❁ The impact of global market forces on U.S. economic and security interests

Our third goal derives from our responsibility to help improve the performance and accountability of the federal government.

- ❁ **GOAL 3:** Support the transition to a more results-oriented and accountable federal government
- ❁ *Strategic objectives:*
 - ❁ Analyze the federal government's long-term and near-term fiscal position, outlook, and options
 - ❁ Strengthen approaches for financing the government and determining accountability for the use of taxpayer dollars
 - ❁ Facilitate governmentwide management and institutional reforms needed to build and sustain high-performing organizations and more effective government
 - ❁ Recommend economy, efficiency, and effectiveness improvements in federal agency programs

In pursuing these goals and objectives, our fourth strategic goal is to lead by example, as an organization, in all major areas of performance—people, process, and technology.

- ❁ **GOAL 4:** Maximize the value of GAO by being a model organization for the federal government
- ❁ *Strategic objectives:*
 - ❁ Cultivate and foster effective congressional and agency relations
 - ❁ Implement a model strategic and annual planning and reporting process
 - ❁ Align human capital policies and practices to support the agency's mission
 - ❁ Develop efficient and responsive business processes
 - ❁ Build an integrated and reliable information technology infrastructure

External Factors and Resource Requirements

A number of external factors could affect progress towards our goals and objectives, including major changes in the economy, military conflicts, changes in the federal budget outlook, or other events that could alter national priorities. We anticipate that as government agencies increasingly rely on information technology in carrying out their missions, we will gradually change the way in which we conduct our oversight, taking greater advantage of electronic information systems and large-scale databases as primary data sources. We also envision that we will depend more heavily on the voluntary cooperation of nongovernmental and multilateral organizations to provide information for our analyses. For fiscal year 2000, we expect to carry out our strategies within the budget approved by the Congress—approximately \$379 million and 3,275 staff. However, our plan calls for an ongoing review of the human capital, technology, and other resources that will be necessary to achieve our goals and objectives over the remaining years of the plan.

Performance Measures and Evaluations

In developing our plan, we used several evaluations and sets of information that we monitor on a regular basis. Key among them was information on the status of recommendations we have made to agencies or the Congress in past work. We used this information to help us determine where follow-up efforts are necessary and additional work is warranted.

We also used this information as one of a number of indicators of performance. Along with the proportion of recommendations that are implemented, we also track the financial benefits and other improvements that result from our work and the degree to which we are invited to testify before congressional committees as measures of our direct support to the Congress. In fiscal year 1999, for example, GAO's work contributed to actions resulting in \$20.1 billion in financial benefits—or \$57 for every dollar invested in GAO. In addition, we testified at 256 hearings that year. We will continue for fiscal year 2000 to rely on these measures along with measures of timeliness and product quality to help us gauge future progress toward our goals and objectives. These data will also be supplemented with information collected through congressional and employee feedback surveys. However, during this fiscal year we will be determining whether there are additional or better measures for gauging our progress towards our strategic goals. We will also begin tracking our progress in meeting or exceeding our goals through qualitative performance assessment.



GAO'S MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

MISSION STATEMENT

GAO examines the use of public funds; evaluates federal programs and activities; and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the federal government through the conduct of financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. GAO's activities are designed to ensure the executive branch's accountability to the Congress under the Constitution and the government's accountability to the American people.

STATUTORY RESPONSIBILITIES

Through the Budget and Accounting Act of 1921, the Congress established GAO in the legislative branch with the broad role of investigating "all matters relating to the receipt, disbursement, and application of public funds" and to "make recommendations looking to greater economy or efficiency in public expenditures." Since World War II, the Congress has clarified and expanded that original charter:

- The Government Corporation Control Act of 1945 provides GAO with the authority to audit the financial transactions of government corporations.
- The Budget and Accounting Procedures Act of 1950 assigns GAO the responsibility for establishing accounting standards for the federal government and carrying out audits of internal controls and financial management.
- The Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974 authorize GAO to conduct program evaluations and analyses of federal activities.
- The Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 authorize GAO to audit agencies' financial statements and annually audit the consolidated financial statements of the United States.

- Numerous other laws complement GAO's basic audit and evaluation authorities, including the Inspector General Act of 1978, providing for GAO-established standards for the audit of federal programs and activities, and the Competition in Contracting Act of 1984, providing for GAO's review of protested federal contracting actions.



THEMES FOR THE PLAN: THE FORCES SHAPING THE UNITED STATES AND ITS PLACE IN THE WORLD

As we begin the 21st century, the key trends that will affect the well-being and security of the United States and the American people are already apparent. In charting our work over the next several years, our strategic plan takes into account the forces that are likely to shape American society, the United States' place in the world, and the role of the federal government. More specifically, our goals and objectives—what we plan to accomplish—derive from changes still developing in six areas that all have both foreseeable and unforeseeable implications for congressional decisionmaking:

- The interdependence of enterprises, economies, and national governments
- The nature of threats to security
- The age and composition of the population
- The quality of life for the world, countries, communities, families, and individuals
- Technological innovation, productivity enhancements, and new vulnerabilities created by these changes
- The role of government and related public expectations

Any significant changes in these areas over the next 6 years, the period covered by our plan, will also affect our ability to meet our goals and objectives. We will therefore continue to track developments in these areas to make sure that our plan remains responsive to the needs of the Congress, the federal government, and the American people.

Globalization: Increasing Interdependence

With rapid advances in technology and the ease with which people, enterprises, and goods can cross borders, the economies and activities of nations have become increasingly interdependent. From 1960 to 1997, world exports increased from about 12 percent to about 24 percent of world GDP (gross domestic product).

International investment has also grown rapidly in recent decades. For example, flows of direct foreign investment abroad from industrialized countries have grown over 15-fold since the mid-1970's, and the purchases of foreign securities have increased over 50-fold.

World Exports as a Percentage of GDP (1960-1997)

Percentage of GDP
25



Source: World Bank.

Multinational enterprises are also an important part of the trend towards globalization: In 1997, 63 percent of U.S. exports and 40 percent of U.S. imports were associated with U.S. parent corporations or their foreign affiliates. At the same time, foreign investment in U.S. businesses is increasing, exceeding \$200 billion in 1998, an amount nearly 3 times that invested the year before.

While these developments present opportunities for U.S. producers and consumers, they also hold new challenges. Recent financial crises in developing nations highlight the global interdependence of economies and financial systems. Following the emergence of financial difficulties in Thailand in July 1997, Indonesia and Korea—and eventually Russia and Brazil—experienced their own financial crises. Because the health and stability of the international financial system is critical to the United States, it played a key leadership role, through its participation in international financial institutions, in helping to resolve these crises. As a result, multilateral organizations like the World Bank and the International Monetary Fund (IMF), and U.S. participation in them, have assumed greater importance; and the effectiveness of these organizations has emerged as a greater concern for the future.

The spread of disease around the world, like the AIDS epidemic, and the global nature of environmental problems also call for an international response, suggesting that in the future, federal responses to problems will increasingly have to consider international as well as national dimensions.

Security: New and Diffuse Threats

The collapse of the Soviet Union and the end of the Cold War era have changed the nature of the nation's security concerns. As the world has grown more interconnected through less-restricted trade, expanding democracy and capitalism, and rapidly developing technology, the United States faces threats from new and more diffuse sources. The spread of terrorism, the proliferation of nuclear and other weapons of mass destruction, and the reliance on

information technology for the conduct of warfare have changed the way the United States prepares for conflict. In addition to its role in conventional warfare, the military has taken on a number of new roles, including peacekeeping and drug interdiction. The military force structure has also changed, cut by about a third over the last 10 years; and there are growing concerns about the military's ability to attract and retain an adequate number of skilled personnel.

Security concerns also extend to U.S. and international commerce and to critical infrastructure essential to public welfare. The increasing reliance on computer systems for banking and other commercial transactions creates additional vulnerabilities, many of them already highlighted by the Y2K computing challenge. Aviation, electric power, law enforcement, and emergency services, for example, all rely heavily on information technology; and any disruptions have enormous economic and security implications.

Security: New and Diffuse Threats

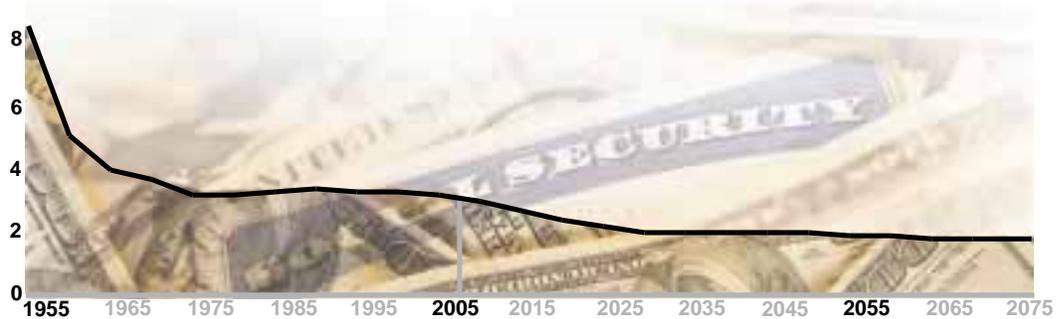


Demographics: Trends and Implications

Profound changes in the characteristics of the U.S. population are forecast for the coming decades. In short, the population is growing older and becoming more diverse. For government, the most direct consequence of this change is in connection with retirement and health care entitlement programs. In 1955, 9 persons were paying into Social Security for every person receiving benefits. Today, the ratio is down to 3.4 to 1; and by 2030, it is projected to be about 2 to 1.

Social Security Workers per Beneficiary

10 Workers per Beneficiary

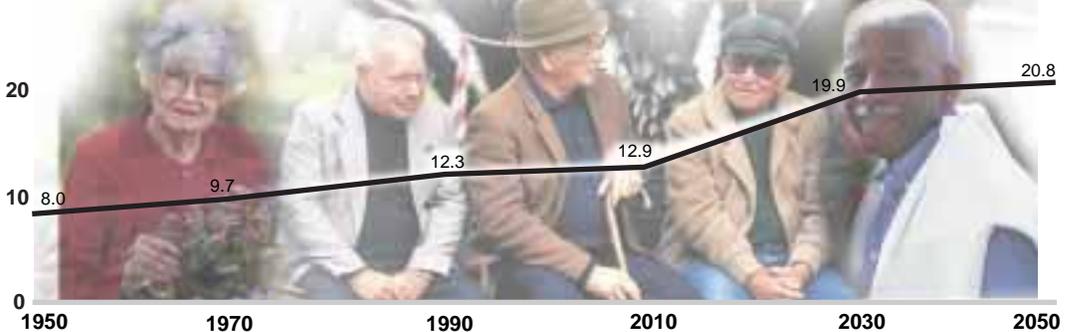


Note: Projections based on intermediate assumptions of *The 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*.
 Source: *The 2000 Annual Report of the Board of Trustees of the Federal Old-Age Survivors Insurance and Disability Trust Funds*.

By 2030, about one-fifth of the U.S. population is projected to be over the age of 65, compared with about 13 percent in 1998. Also, by 2030, Medicare beneficiaries, who include the disabled as well as the elderly, will account for 20 percent of the population. The number of people served by housing, transportation, and other government programs targeted to the elderly will also grow. At the same time, though, with better health and longer lives, older Americans could become an important pool of labor, with implications for economic growth and the financial status of Social Security and other retirement programs.

Percentage of Population Over 65

30 Percent of Population



Source: Department of Commerce, Bureau of the Census.

This demographic shift affects other industrialized nations as well, with potential repercussions for the United States. In some European countries, for example, in the absence of reforms, social program costs are expected to consume a greater proportion of the total GDP than in the United States as elderly populations and their health and retirement costs burgeon. These obligations could limit these countries' ability to contribute to the North Atlantic Treaty Organization (NATO) and other multilateral alliances and organizations, thereby affecting U.S. interests.

Because women and minorities as a proportion of the workforce have grown significantly in recent decades, the greater diversity of the workforce has implications for federal policies and programs on education, training, childcare, and immigration, among other issues. The military is also affected by these changes. For example, women constituted only about 2 percent of the armed services in the early 1970s but now make up about 14 percent overall and close to 20 percent of new entrants.

Women and Minorities in the Labor Force



Note: The definition of minorities has changed over the years.

Source: Bureau of Labor Statistics.

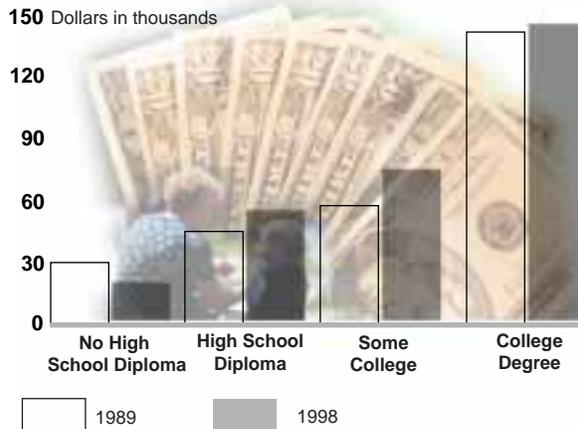
Although the growing entry of women and minorities caused substantial growth in the U.S. labor force in recent decades, this trend seems to be changing. Projections for the future are that the annual growth in the labor force will be only about 1 percent in the short term and that this growth rate may even decline in the long term, further exacerbating the current tight labor market for specialized skills and key sections of the economy.

Quality of Life: Providing for the Needs of the Population

In many respects, the quality of life for Americans has dramatically improved. The long period of strong economic performance has created enormous wealth for a few and a degree of economic prosperity for many. People are typically living longer, are becoming better educated, and are more likely to have jobs and own their homes (65 percent of households). The quality of the physical environment has also improved, as levels of major air and water pollutants have fallen sharply since 1970.

As described earlier, the workforce has changed. Not only do women constitute about 46 percent of the labor force, but over 65 percent of couples are dual-income families. In addition, the disparities between the net worth of those without a high school education and those with more education increased between 1989 and 1998.

Family Net Worth by Education of Household Head



Source: "Results From the 1998 Survey of Consumer Finances"

While advances in medical treatment, for example, have extended the average life expectancy to 76 over the last 20 years, more than 40 million Americans lack access to care because they do not have health insurance—a number that has continued to climb even in the face of economic prosperity. Since 1990, unemployment has fallen to 4.3 percent nationwide and reached record or near-record lows for African-Americans and Hispanics. Nevertheless, unemployment rates for these two groups still stand at nearly twice the rate for whites. More youth complete high school and college than ever before (84 percent complete high school and 24 percent complete college), but the public remains concerned about the quality of education for children. The number of violent crimes has dropped by about 20 percent since 1990, but huge disparities remain in the rates in different geographic areas and among different demographic groups.

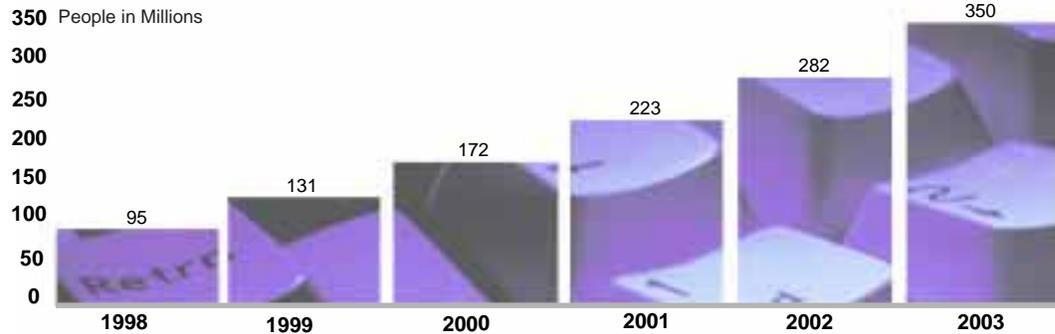
At the same time, prosperity itself is placing greater stresses on the quality of life. Greater economic activity, for example, is producing more air and highway traffic and heightening concerns about safety and environmental quality. Population growth and movement are also placing greater strains on the physical infrastructure; public buildings, transportation systems, and sewage and water treatment plants are beginning to deteriorate or become obsolete and will require billions of dollars for modernization. Over the coming years, these demands for new investment will increasingly come into competition with other national priorities, creating difficult choices for the federal government.

Technology: The Next Stage of the Information Age

Information technology has transformed the ways we communicate, learn, use information, conduct commerce, practice health care, and build and design products. It has also become part of the infrastructure for business, scientific research, and social interaction. Electronic commerce and business strategies made possible by widespread Internet access and interconnected systems are transforming how organizations, both public and private,

will operate in the next decade. This trend is expected to accelerate in the future, with investment in information technology expected to account for 40 percent of all capital investment in the United States by 2004. Roughly 172 million people around the world will be Internet users in the year 2000, and by 2003, that number is expected to double.

Internet Users Worldwide, 1998-2003



Source: eMarketer (1999).

Until recently, much of the attention to technology management in the federal government is focused on modernizing current operations, achieving cost efficiencies, and strengthening management's involvement in systems investments designed to support the achievement of strategic goals and objectives. Today, governments at all levels are using the Internet and other electronic commerce means to improve internal business operations and to provide online public access to information and services. New global Web technology applications and opportunities will continue to transform the way the federal government conducts business, communicates, and interacts with citizens, industry, and other government entities in all areas.

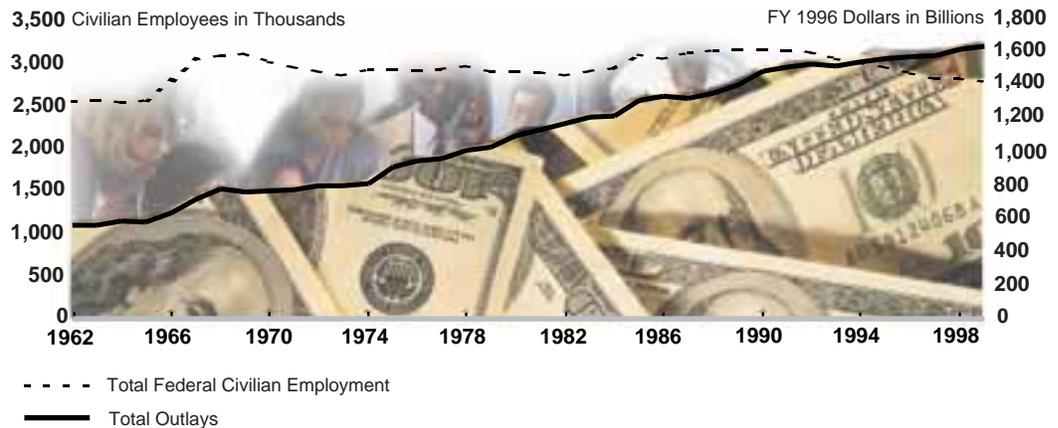
The connectivity and interdependence created through information technology create both benefits and challenges. Businesses that produce computers, software, semiconductors, and communications equipment have accounted for over a third of the growth in the U.S. economy since 1992, and the global information technology and communications market is expected to grow to about a trillion-dollar industry by 2002. On the other hand, along with opportunities, the widespread use of information technology—particularly the Internet—has created new vulnerabilities. General business risks such as fraud, theft, and destruction of assets, along with legal issues such as liability and the loss of reputation, are exacerbated by the open interconnectivity of the Internet. Sensitive information about millions of individuals is now stored in electronic databases, creating worries about the privacy and confidentiality of medical records, credit histories, and other personal data. In short, although integral to many electronic commerce and electronic government initiatives, the use of global, public electronic networks that interconnect computer systems and databases expands concerns about the reliability, trustworthiness, security, and privacy of communications and business transactions.

Government Performance and Accountability: Focus on Results

Government decisionmakers in major democracies around the world are confronting strikingly similar challenges. Driven by citizens' demands for more economical, efficient, and effective government, as well as by economic, technological, and demographic pressures, many of these governments have undertaken major public management reform initiatives. While these initiatives have been crafted in response to different immediate needs, political environments, and historical cultures, the reform efforts are taking a generally consistent direction, requiring government organizations to focus more on results and less on process.

In the United States, this focus on results is complicated by the fact that, increasingly, the federal government has turned to a variety of third parties to achieve many of its goals. Although federal outlays have steadily increased since 1970, the number of federal employees has declined.

Federal Civilian Employment and Outlays: 1962-1999



Source: *Budget of the U.S. Government, Fiscal Year 2001*.

Even before downsizing, the federal government had embarked on a new federalism by turning to state and local governments, nonprofit organizations, and for-profit businesses to carry out its business, relying on grants, contracts, loans, regulations, tax expenditures, and other tools to achieve its intended purposes. While, on the one hand, this trend towards devolution and outsourcing may bring with it greater efficiencies and improved services, on the other hand, it further complicates meeting the public's desire for better government management and accountability for taxpayer dollars.

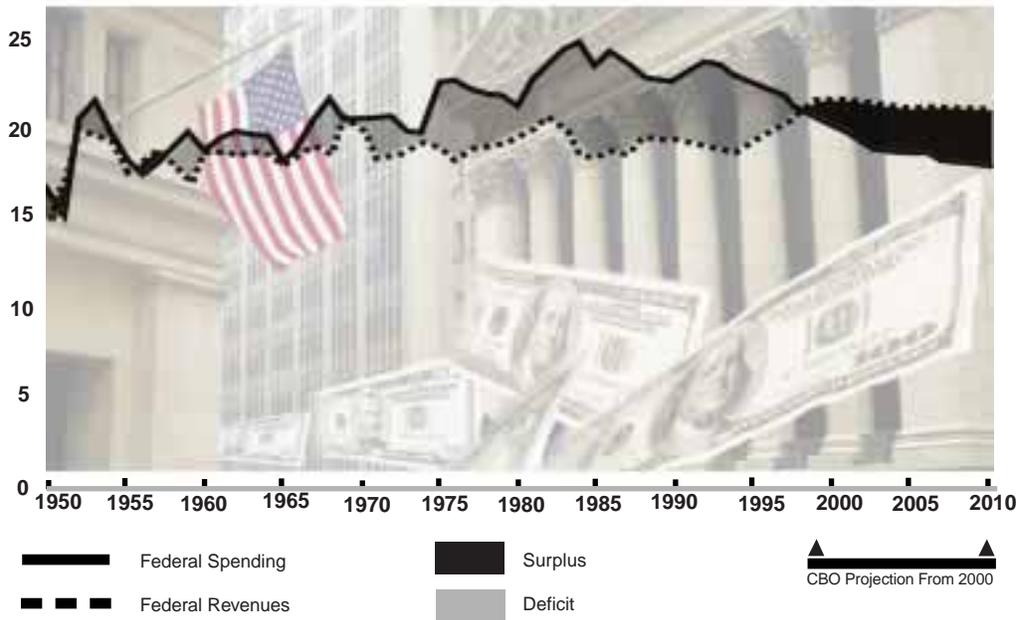
THEMES FOR THE PLAN:
THE FORCES SHAPING THE UNITED STATES
AND ITS PLACE IN THE WORLD

Since the passage of the Government Performance and Results Act, the CFO Act, and other legislation in the 1990s intended to bring greater performance and accountability to the federal government, the framework for reform has moved ahead in the United States. But progress has been uneven across agencies, and governmentwide, little attention has been paid to improving human capital management, particularly in the aftermath of government downsizing.

Much of the impetus for government reform in the United States has come from the need to reduce government spending in order to correct chronic budget deficits.

Federal Spending and Revenues, 1950-2010

Percentage of GDP



Note: These projections assume that discretionary spending grows at the rate of inflation after 2000.

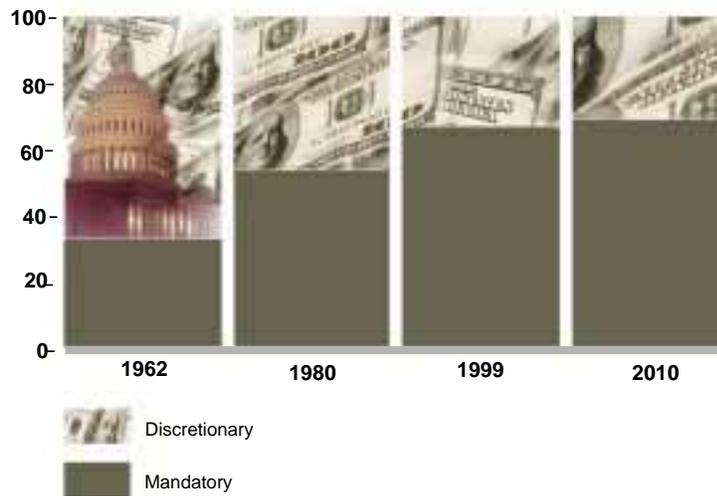
Sources: *Budget of the U.S. Government, Fiscal Year 2001*, and the Congressional Budget Office.

THEMES FOR THE PLAN:
THE FORCES SHAPING THE UNITED STATES
AND ITS PLACE IN THE WORLD

With the advent of surpluses and growing mandatory spending, the challenge for policymakers will be to meet public expectations for government while maintaining the fiscal discipline necessary to avoid a return to deficits.

Mandatory and Discretionary Spending (as a Percentage of Total Spending)

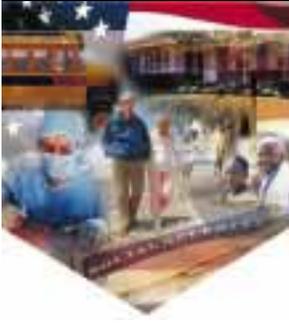
Percentage of Outlays



Note: Projection for 2010 assumes that discretionary spending grows at the rate of inflation after 2000.

Sources: *Budget of the U.S. Government, Fiscal Year 2001*, and the Congressional Budget Office.

GOAL 1



PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

In keeping with our mission to support the Congress in carrying out its Constitutional responsibilities, our first strategic goal focuses on several of the aspirations of the American people defined by the Founding Fathers: to “establish justice, insure domestic tranquility, . . . promote the general welfare, and secure the blessings of liberty to ourselves and our posterity. . . .” Our aging and more diverse population, rapid technological change, and Americans’ desire to improve the quality of life have major policy and budgetary implications for the federal government. In particular, growing commitments to the elderly will crowd out the capacity of a smaller generation of workers to finance the competing needs and wants brought to the federal doorstep. Our first goal is therefore to help the Congress and the federal government address the challenges that affect the well-being and financial security of the American people, recognizing the constraints of available resources and economic capacity. Within that broad goal, we have specific objectives related to

- The health needs of an aging and diverse population
- A secure retirement for older Americans
- The social safety net for Americans in need
- An educated citizenry and a productive workforce
- An effective system of justice
- Investment in community and economic development
- Responsible stewardship of natural resources and the environment
- A safe and efficient national physical infrastructure

GOAL 1: PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE



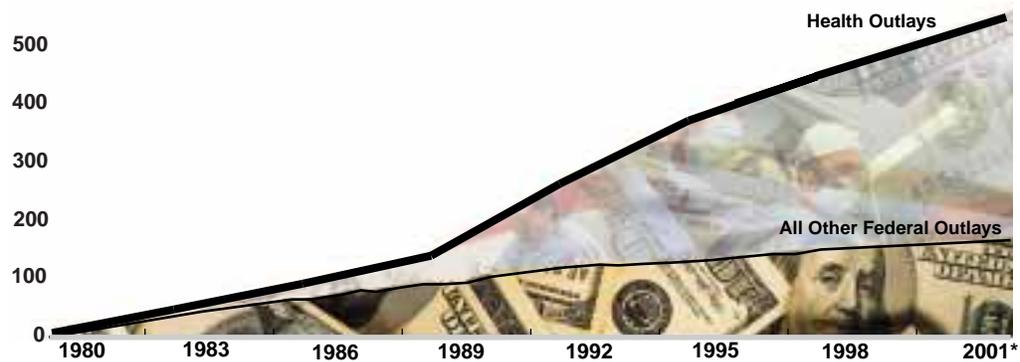
STRATEGIC OBJECTIVE:

The Health Needs of an Aging and Diverse Population

Issue: Health care has been one of the most rapidly rising elements of federal spending, growing at an average annual rate that is twice that of the rest of the federal budget over the last 20 years. Expenditures on health-related programs are now one of the largest components of federal spending, totaling about \$366 billion in fiscal year 1999, or about 22 percent of all federal spending that year. The cost pressures of serving a growing population are compounded by scientific advances in medical treatments, which can blur the lines between needs and wants and make it difficult to reasonably assess what society can afford.

Growth of Federal Health Expenditures

600 Percentage Increases Since 1980



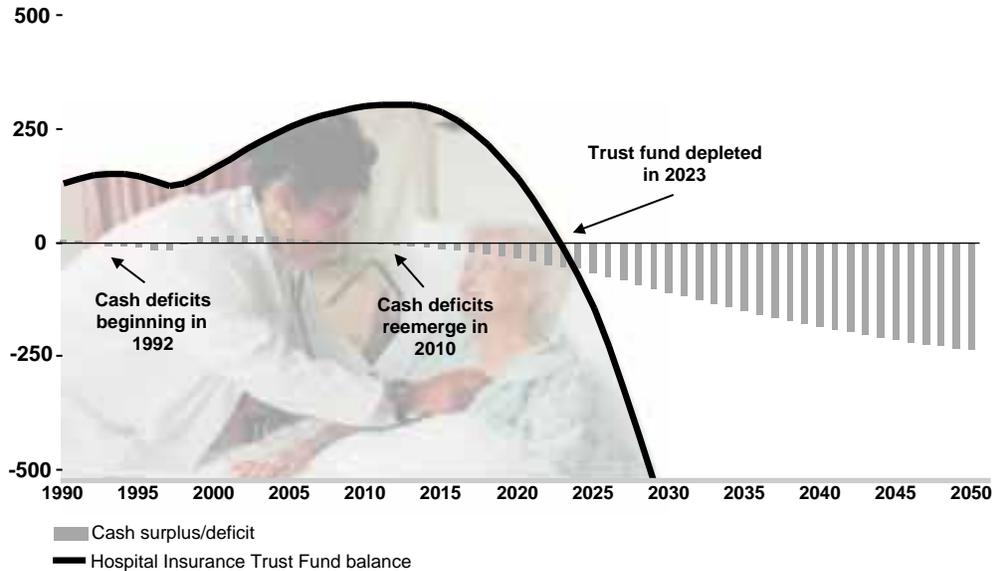
Source: Office of Management and Budget.
*Estimated

Of particular concern is the growth in Medicare expenditures. Without changes, Medicare is expected to double its share of the economy by 2050, crowding out other spending and economic activity of value. Indeed, one part of the Medicare program, the Medicare Hospital Insurance Trust Fund, has been operating in the red since 1992 and is now projected to face bankruptcy by 2023. Along with the changes to the Medicare program enacted in the Balanced Budget Act of 1997, the President and others have proposed certain reforms; and additional reform proposals will be needed in the future.

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Medicare Financing

2000 Dollars in Billions



Note: Projections based on intermediate assumptions of the *The 2000 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund*.

Source: GAO analysis of data from the Office of the Actuary, Health Care Financing Administration.

The demand for government-funded insurance programs can be reduced by a strong private insurance market, providing access to affordable employer-based or individually purchased health coverage. However, despite a strong economy, the number of Americans without health insurance continues to increase. While the introduction of competitive principles to health care has helped to contain increases in the cost of medical care, costs are again on the rise, now accompanied by the public's concerns about the quality of care, consumer protection mechanisms, and the availability of information to allow purchasers to make informed insurance choices.

Americans Without Health Insurance

50 People in Millions



Source: Census Bureau.

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The government also must address pressing issues in its own system of hospitals and clinics. The Department of Veterans Affairs (VA) operates one of the nation's largest health care systems, spending about \$18 billion a year to provide health care to approximately 4.1 million patients. The Department of Defense's (DOD) health care system has an annual operating budget of about \$16 billion supporting health care to over 8 million beneficiaries. Yet much of VA's physical infrastructure is obsolete and burdened with excess capacity, and the size and other requirements for DOD facilities are currently at issue.

Finally, there are important questions about the efficiency and effectiveness of the federal government's public health research, grants-in-aid, and regulatory programs. Primarily through the National Institutes of Health, the federal government invests roughly \$13 billion a year in biomedical research, which, in combination with privately supported research, has led to a dramatic increase in the available diagnostic tools and medical treatments. But these fruits of research, in turn, have implications for the future cost of medical care provided by the federal government. They also raise questions about the government's ability, through the Food and Drug Administration, to ensure the safety and efficacy of new pharmaceuticals, medical devices, and other products, while not unduly delaying the availability of these products to consumers.

The changing nature of public health threats—the resurgence of infectious diseases and the global concerns for new and re-emerging microbes—require new disease monitoring and laboratory techniques. The rise in foodborne illnesses, in particular, also requires new responses. In addition, questions have arisen about the effectiveness of different types of drug abuse treatment and prevention programs and other federally supported public health interventions. Although the nation is thought to produce the safest food in the world, U.S. food safety experts estimate that foodborne diseases in the United States cause 325,000 serious illnesses resulting in hospitalizations, 76 million cases of gastrointestinal illnesses, and 5,000 deaths each year. The food safety oversight system is also quite complex, with 12 federal agencies spending over \$1 billion annually to administer 35 different laws.

Over the next several years, the Congress is expected to consider reauthorization of several federal public health agencies, such as the National Institutes of Health and the Centers for Disease Control and Prevention, and other important health-related legislation, such as the Ryan White CARE Act, titles VII and VIII of the Public Health Services Act, and the Veterans' Health Care Eligibility Reform Act. The Congress is also likely to take up reauthorization of the Food and Drug Administration Modernization Act.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- evaluate medicare reform, financing, and operations;
- assess trends and issues in private health insurance coverage;
- assess actions and options for improving VA and DOD health facilities and services, including realigning capital assets to reduce unneeded physical infrastructure;

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- evaluate the effectiveness of federal programs to promote and protect the public health; and
- assess the effectiveness of federal food safety programs.

Our efforts related to Medicaid financing of long-term care and health care for low-income children are discussed in the social safety net objective.

Consistent with the related approaches in the third goal of this plan, to help improve the management of the federal government, we will analyze information and financial management practices of health and safety programs, determine whether agencies have sound strategies for improving human capital management, and review how well agencies have used strategic planning and performance measures. This will include work aimed at minimizing fraud and abuse in the Medicare program. Because of its responsibilities for the Medicare and Medicaid programs, the Health Care Financing Administration will be a focal point of these efforts.



STRATEGIC OBJECTIVE:

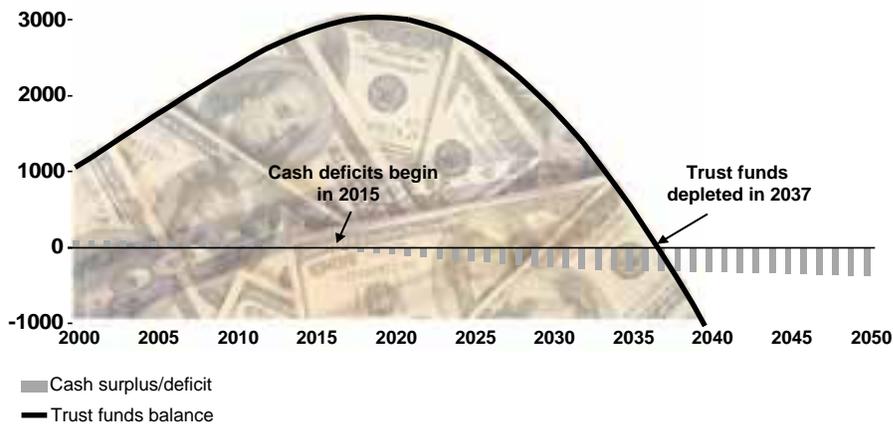
A Secure Retirement for Older Americans

Issue: Social Security has long served as the foundation of our nation's retirement income system. About 45 million people receive Social Security retirement benefits; and for nearly a sixth of the elderly, Social Security is the sole source of retirement income. Yet because of demographic changes under way, the ratio of Social Security system workers to retirees is declining. Under existing law, Social Security expenditures are expected to exceed payroll tax revenues beginning in 2015, with the trust funds being depleted by 2037. The Congress is currently considering a number of Social Security reform proposals, including some to create individual retirement accounts for workers. Most of the proposals would have major consequences for retirees' benefits, the federal budget, and the long-term economic growth of the country.

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Social Security Finances

4000- 2000 Dollars in Billions



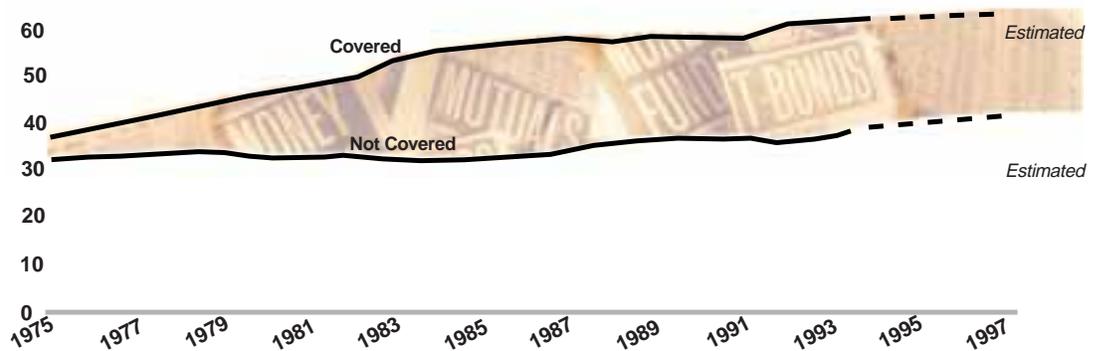
Note: Projections based on intermediate assumptions of *The 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*.

Source: GAO analysis of data from the Office of the Actuary, Social Security Administration.

Although private pensions are an important element in the nation's approach to ensuring adequate retirement income, tens of millions of U.S. workers have no individual pension coverage, placing them at risk during their retirement years.

Workers Covered and Not Covered by Private Pensions

70 Workers in Millions



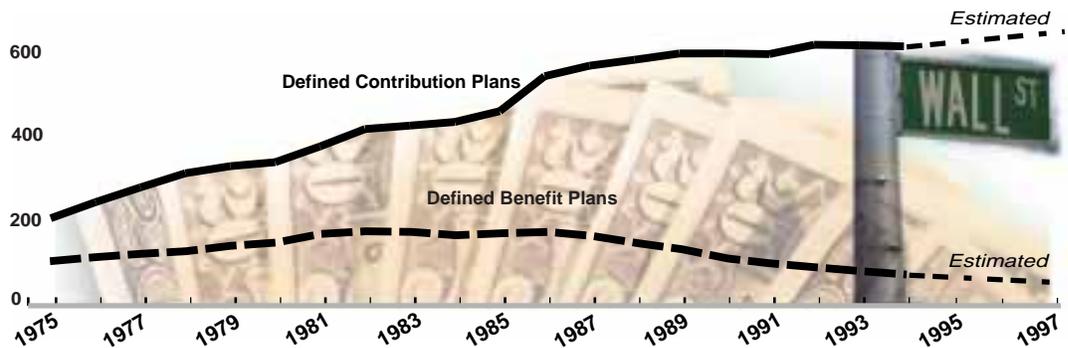
Source: Department of Labor and Employee Benefit Research Institute.

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Some workers with pensions are experiencing a new kind of coverage as a growing number of employers move away from traditional defined benefit plans to defined contribution plans. Furthermore, some employers are shifting to “hybrid” systems that retain the defined benefit structure while adopting certain features of defined contribution plans. Such changes will pose new challenges to workers, government regulators, and policymakers.

Trends in Types of Private Pension Plans

800 Plans in Thousands



Source: Department of Labor and Employee Benefit and Research Institute.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- assess the implications of various Social Security reform proposals within a developed framework and evaluation criteria;
- identify opportunities to foster greater participation and ensure adequate retirement income levels by private pension systems; and
- identify opportunities to improve the ability of the Pension Benefit Guaranty Corporation’s and the Department of Labor’s Pension and Welfare Benefits Administration’s programs to protect workers in private pension systems.

In connection with approaches outlined under the third goal of this plan, we will recommend improvements in the government’s management of retirement income programs through analyses of the Social Security Administration’s (SSA) and Pension Benefit Guaranty Corporation’s information and technology management practices, financial management systems, actions to manage their workforce, and strategic planning and performance measurement efforts.

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STRATEGIC OBJECTIVE:

The Social Safety Net for Americans in Need

Issue: Independence and self-sufficiency are hallmarks of the American culture. Still, the nation has established a social compact to provide a safety net for its citizens facing circumstances of special need. In fiscal year 1999, the federal government spent about \$340 billion on programs designed to provide income support, health services, housing assistance, and food assistance to more than 30 million low-income Americans, including children, the elderly, the homeless, and the disabled. By far, the largest of these programs is Medicaid, providing federal payments to the states of about \$100 billion per year for health care services; it also constitutes a significant share of state budgets.

Major Social Safety Net Programs

Programs	1999 Amounts* (Dollars in Billions)
Medicaid	\$108
Disability Insurance	50
Food Stamps and other food assistance	34
Earned-income tax credit	31
Supplemental Security Income	28
Unemployment Insurance	25
Low-income housing assistance	24
Veterans' compensation and pensions	21
Temporary Assistance for Needy Families	14
Child welfare programs	5

Sources: *Budget of the U.S. Government, Fiscal Year 2001*, and other U.S. government documents.

*Fiscal year outlays except for calendar year earned-income tax credits.

Beneficiaries of these and other such programs were likely affected by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The goals of this landmark legislation included ending welfare dependency by promoting job preparation and work and encouraging the formation of more stable families in the welfare population.

Welfare reform enhanced the role of state and local decisionmakers in establishing welfare policies while promising continued federal support. In line with a “New Federalism” approach, the states were given flexibility to design their own programs and strategies. Currently, the federal government is spending about \$14 billion a year in a welfare-support block grant program—Temporary Assistance for Needy Families—and nearly \$60 billion in related food and housing assistance programs to help needy individuals, families, and children.

Providing accountability for and oversight of these programs presents a formidable challenge. The programs are administered by numerous federal agencies, as well as by state and local governments; involve many types of assistance (such as cash support, training, and services); have different eligibility rules; and vary among jurisdictions because of the key roles played by state and local governments. Information on both the ultimate effectiveness of these programs and the efficiency of their delivery is limited.

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There are a number of programs that may be reauthorized over the life of this strategic plan that affect the safety net, such as Temporary Assistance for Needy Families and the Older Americans Act programs. During the 6-year life of this plan, the Congress may also consider reauthorizing programs that fund U.S. food assistance needs such as those under the William F. Goodling Child Nutrition Reauthorization Act of 1998. This act reauthorized the Special Supplemental Nutrition Program for Woman, Infants and Children and about a dozen other child nutrition programs (the school lunch and breakfast programs, among others) through fiscal year 2003.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- analyze the results of welfare reform;
- evaluate federal and state program strategies for financing and overseeing chronic and long-term health care;
- assess states' experiences in providing health insurance coverage for previously uninsured low-income children;
- identify opportunities to provide more cost-effective food assistance programs and housing assistance programs; and
- identify ways to improve federal disability programs.

In connection with approaches defined under the third goal in this plan, our analyses of ways to improve the management of these programs will include reviews of safeguards against fraud and abuse in the Supplemental Security Income program, Internal Revenue Service's (IRS) efforts to reduce earned-income credit noncompliance, states' efforts to link their Unemployment Insurance programs with job training opportunities, management controls over the U.S. Department of Agriculture's (USDA) multiple food assistance programs, and the Department of Housing and Urban Development's (HUD) management and oversight of its assisted and public housing programs.



STRATEGIC OBJECTIVE:

An Educated Citizenry and a Productive Workforce

Issue: An educated citizenry and a productive workforce are keys to the continued vitality of our democratic society and the vigor of our economy. To this end, the federal government spends about \$80 billion a year on programs aimed at fostering the development and education of our children and promoting a productive workforce. For example, the federal government invested about \$11 billion in fiscal year 1999 in early childhood development and child care programs (excluding federal tax credits and DOD programs for these purposes). The programs, such as Head Start, are geared toward children from infancy to age 5—a developmental period during which early investment may lead to a child's long-term

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intellectual and language growth. However, surprisingly little is known about the services that are provided or the programs' ultimate impact. Obtaining such information is complicated by the fact that over 90 such programs are administered by at least 11 federal agencies. Beyond inherent concerns about fragmentation and overlap among so many programs, there also are questions about the implications of welfare reform for these programs and their beneficiaries—for example, whether adequate child care services exist for single mothers moving from welfare dependency to jobs.

The United States also places a high priority on educating its children at the elementary and secondary levels, with the federal share of the dollar investment running over \$20 billion annually. Most of the federal dollars are in programs focusing on the “harder-to-serve” school populations, such as students from poor families, children with disabilities, migrant children, and children with limited English proficiency. However, the schools' teaching approaches and support services are facing increasing challenges as these populations grow in size. There are also questions about the aging of the education workforce and the adequacy of technology in our schools.

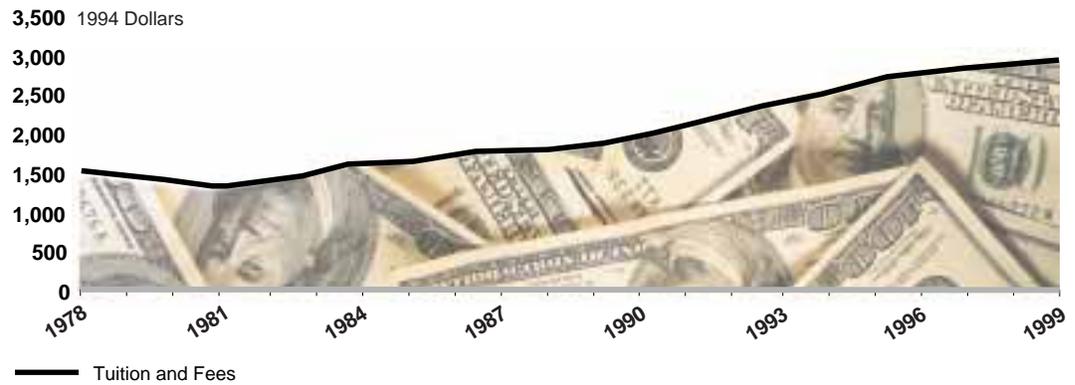
Beyond providing for basic educational needs, a competitive national economy depends, in part, on effectively preparing workers to compete in the labor force, efficiently helping employers locate qualified job candidates, and providing a work environment that promotes productivity. To this end, the federal government currently invests more than \$50 billion annually to provide aid to those pursuing higher education degrees, train those who wish to leave the welfare rolls or have become dislocated from their jobs, rehabilitate disabled and injured workers, and help employers obtain adequate supplies of high-quality skilled labor, as well as protect employees' rights to healthy workplaces without unduly burdening employers through regulation.

In particular, the government's investment in supporting college students with direct loans and loan guarantees results in over \$30 billion of new loans annually. This is in addition to its \$7 billion annual outlay for Pell grants to college students from low-income families. In the loan guarantee program, it will be a challenge to achieve the optimal balance between (1) interest rates low enough to encourage students' participation and (2) yields high enough to encourage private lenders' participation. Federal costs in this program are determined in part by how this balance is struck. Relatedly, policymakers have justifiable concerns about the financial integrity of these higher education financial aid programs. The loan programs are targeted to a high-risk population, and the programs depend upon the participation of many schools and lenders who operate independently with different rules, processes, and data systems. The federal government's exposure to losses is substantial in these programs—for example, in fiscal year 1999, it paid out about \$4.3 billion to make good its guarantee on defaulted student loans.

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Another major concern is the cost of college education. With costs in recent years rising faster than general inflation, Americans are searching for ways to keep college education affordable for most people.

Real Cost of College Tuition and Fees per Student



Source: The College Board, 1999.

Technology is redefining the labor market for workers and employers, and federal employment support and worker protection programs must deal with these new challenges. New technologies and increased marketplace competition have prompted employers to downsize, change employment patterns, or move abroad. Today's economy rewards skilled workers more than their unskilled counterparts. Between 1992 and 1998, the average income of families headed by workers with at least some college education grew by 20 percent, while the average income for families headed by those without a high school diploma increased by only 9 percent. These new developments in technology and the labor market are challenging the Congress and the administration as they redefine the role of public policies in enhancing productivity, protecting workers' rights, and facilitating labor-management cooperation.

Over the next few years, the Congress may reauthorize a number of programs that help educate Americans and make them productive members of the workforce. These include ones under the Elementary and Secondary Education Act, Individuals With Disabilities Education Act, Higher Education Act, and Workforce Investment Act.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- analyze the effectiveness and efficiency of early childhood care and education programs in serving their target populations;
- assess options for federal, state, and local programs to effectively address demographic changes and the infrastructure needs of the education system;
- assess opportunities to better manage education program costs and better target federal aid to the neediest students;

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- analyze the impact of the recently enacted Workforce Investment Act on the delivery of employment and training services;
- analyze programs designed to raise worker skills and ensure employers have the skilled workers they need; and
- assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing environment of work.

In connection with approaches outlined under the third goal of this plan, our analyses of ways to improve the management of these programs will include studies of safeguards and accountability in a decentralized workforce development system, efforts to detect abuse and erroneous overpayments in loans and grants for higher education, and the adequacy of federal agencies' strategic planning and performance measurement systems.



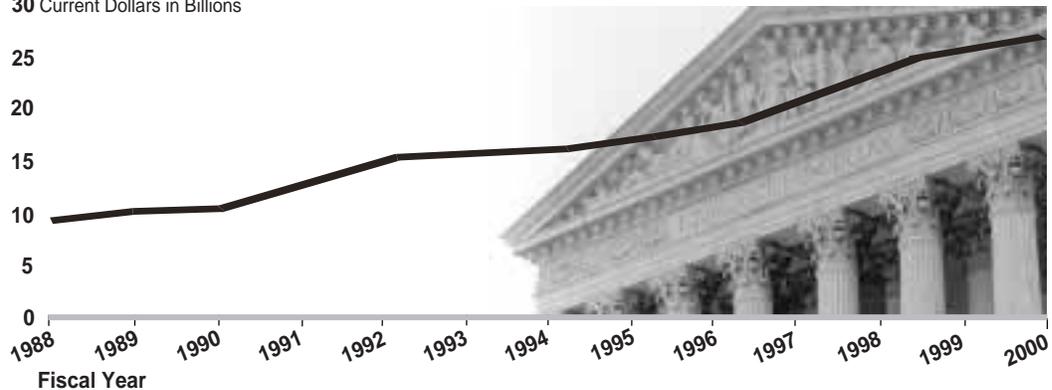
STRATEGIC OBJECTIVE:

An Effective System of Justice

Issue: Spending on law enforcement issues continues to grow at the federal, state, and local levels. Federal spending was about \$25 billion in fiscal year 1999, up from \$10 billion in 1989 (a time of low inflation). Most of the increase has been to accommodate a shift in focus at the federal level from helping local governments control crime to emphasizing more distinct federal responsibilities, such as controlling illegal immigration.

Federal Expenditures for the Administration of Justice

30 Current Dollars in Billions



Source: *Budget of the U.S. Government, Fiscal Year 2001.*

Notwithstanding the recent downturn in overall crime levels, the Congress and the public remain concerned and look to the federal government for leadership on how to prevent illegal drug use, provide effective treatment for drug users, control domestic and transnational crime, deter illegal immigration, and control prison costs. For example, over 50 federal agencies are involved in carrying out the National Drug Control Strategy developed by the Office of National Drug Control Policy. For years, policymakers have debated

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the most effective balance between illegal drug supply reduction and demand reduction strategies, generally emphasizing supply reduction in terms of funding.

The Immigration and Naturalization Service (INS), the largest federal law enforcement agency, has undergone dramatic growth in recent years. Its fiscal year 1999 budget of \$3.9 billion represents an increase of almost 160 percent over its fiscal year 1993 budget. INS estimated that there were about 5 million illegal aliens residing in the United States in October 1997 and that their numbers have been increasing at an average rate of 275,000 per year since October 1992. Recently, the Congress has addressed such issues as securing the country's borders; expediting the removal of illegal aliens; strengthening the enforcement of immigration laws; and reforming the processes for naturalization, immigrants' entitlements to welfare benefits, and admitting temporary agricultural and high-tech workers.

In addition, there have been proposals to restructure the federal immigration system in order to resolve persistent management challenges at INS. INS itself has proposed a major reorganization to more effectively manage its resources, accomplish its enforcement and service delivery priorities, and carry out its new legislative mandates.

After several years of mandatory minimum sentencing, "three strikes and you're out" laws, and truth-in-sentencing grants, federal and state prisons are overcrowded and dozens of new prisons are opening annually. This issue will be the subject of increasing public debate as these policies' cost to the public escalates. At the same time, the federal judiciary's budget grew from about \$2.1 billion in fiscal year 1991 to about \$4 billion in fiscal year 1999 (a time of low inflation), in part because of growing costs for court-appointed attorneys, a greater number of judges in senior status, and higher security and space costs for courthouses. However, the overall caseload has not grown as rapidly as the budget, raising questions about how efficiently and effectively the judiciary is using its resources.

Performance Goals: To support efforts by the Congress and the federal government to address these issues and the federal judiciary, we will

- identify ways to improve federal agencies' response to crime;
- assess the effectiveness of federal programs to control illegal drug use;
- identify ways to administer our nation's immigration laws more efficiently and effectively; and
- assess the administrative efficiency and effectiveness of the federal court and prison systems.

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STRATEGIC OBJECTIVE:

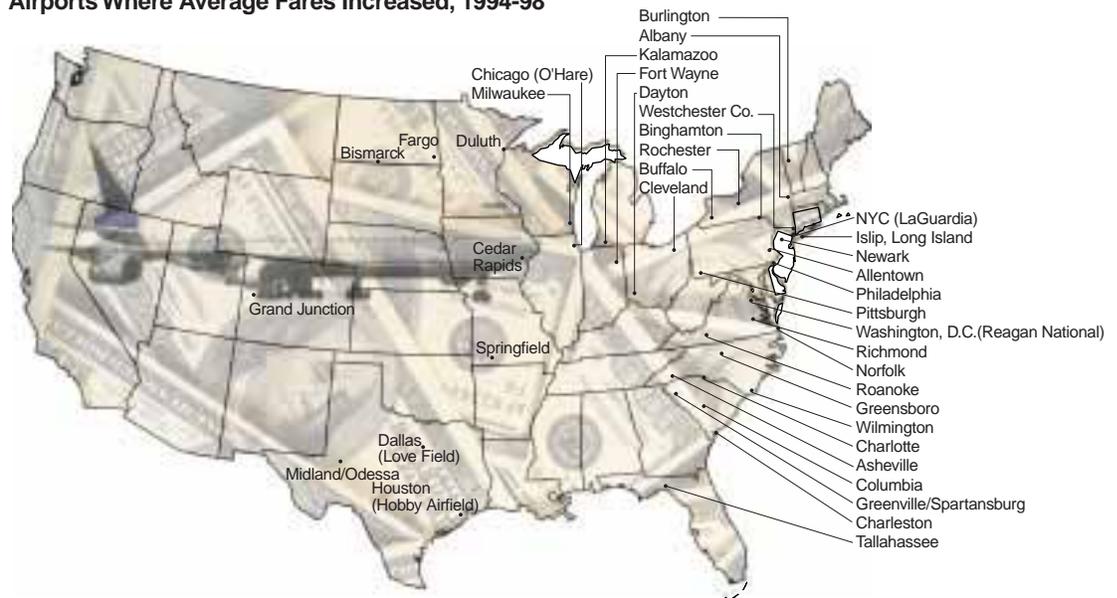
Investment in Community and Economic Development

Issue: The federal government operates over 340 programs through 28 federal agencies and spends billions of dollars annually on grants, loans, and other types of assistance for community and economic development. Some of these programs overlap, and the sheer number can create planning and management frustrations for communities trying to piece together and manage diverse federal funding sources.

To promote homeownership, the Federal Housing Administration (FHA) has insured about \$1 trillion in mortgages for over 22 million home buyers who would have had difficulty obtaining or otherwise would have been unable to obtain mortgages. FHA also insures mortgages for the development of multifamily properties and property improvement and other housing loans. Better underwriting, servicing, and asset management are important to reduce losses and exposure on the nearly half trillion dollars of potential federal liability on those loans.

To help promote economic growth, the federal government has deregulated several service industries. Since the 1970s, the trend has been to allow the marketplace to set prices for key services that had historically been under government regulation. Airlines, railroads, and telecommunications firms are now, to varying degrees, free to establish prices and compete for business in the commercial marketplace. While increased competition has generally resulted in lower transportation prices for consumers, “pockets of pain” continue in areas where competition has been slow to develop as a natural price control. For example, although airfares have fallen for most communities since 1990, recently many have experienced fare increases.

Airports Where Average Fares Increased, 1994-98



Source: GAO's analysis of data from Data Base Products, Inc.

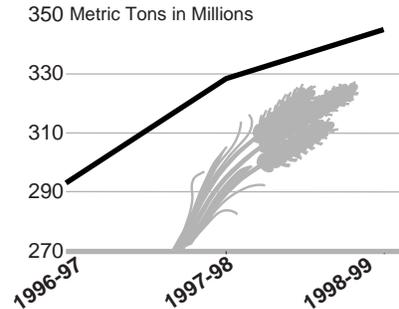
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In the telecommunications industry, deregulation has led to enormous growth, spurred by technological innovation and new entrants in the market. In 1999 alone, the overall U.S. telecommunications market (equipment and services) grew by more than 11.4 percent, generating revenues of \$517.6 billion; it is projected to grow about 11.3 percent annually, reaching \$794 billion in 2003. The major changes in the telecommunications industry, supported by the Communications Act of 1996, have raised questions about the Federal Communications Commission's (FCC) mission and the types of skills needed by its staff. FCC was last reauthorized in 1990.

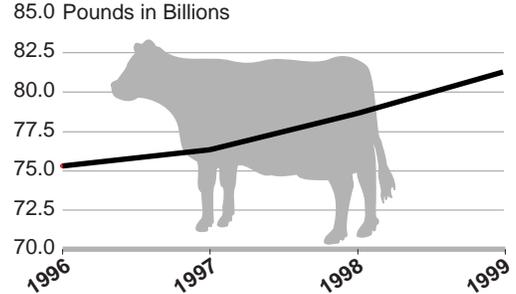
The federal government also plays an important role in the development of rural America. Many argue that the United States is in the midst of a farm crisis, pointing to lower agricultural commodity prices, falling U.S. agricultural exports, and declining net farm income. Although the Congress has eliminated many of the individual crop subsidy programs of the past, the federal government spent about \$17 billion in fiscal year 1999 to provide support to farmers. This support takes many forms, including crop insurance, which protects farmers against crop losses caused by natural disasters.

Trouble on the Farm

Increased World Grain Reserves...

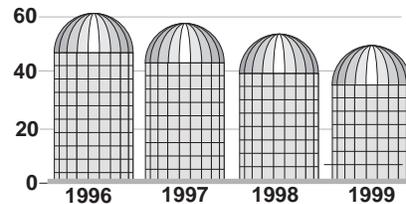


Record U.S. Meat Production...

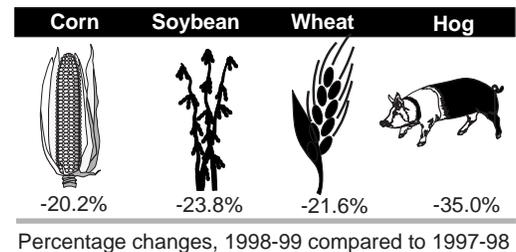


And Falling Farm Exports...

80 Dollars in Billions per Fiscal Year



Result in Sinking Commodity Prices

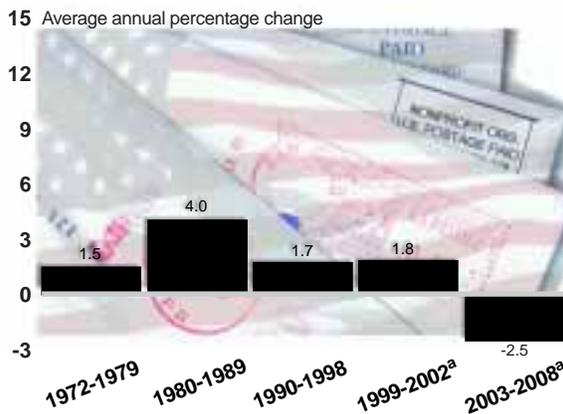


Source: USDA.

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In a more traditional communications method, the Postal Service faces growing challenges from competition, such as competition in electronic communications and delivery services. The Postal Service expects substantial declines in its current products and services, such as First-Class mail, over the next decade. Such a decline would be unprecedented in the Service’s history and would likely create financial and performance challenges, such as possibly eroding the Service’s ability to provide universal service.

First-Class Mail Volume Trends



^aU. S. Postal Services projections.
Source: U.S. Postal Service.

Federal investments in science and technology affect our lives in a variety of ways—from improving materials for homes and highways to mapping human genes—and are believed to play an important role in strengthening the United States’ technological leadership and competitiveness in world markets. Each year, under programs that exist in more than 20 agencies, the federal government spends close to \$80 billion at about 500 federal labs and 300 universities and through grants, contracts, or other agreements with universities, corporations, small businesses, and other members of the research community. For example, the development of the International Space Station by the National Aeronautics and Space Administration (NASA) is currently estimated to cost over \$53 billion through final assembly in orbit. To ensure that the nation’s investment in science and technology maintains our leadership and competitiveness in world markets, we must ensure that our research and development infrastructure is conducive to obtaining quality results. Current efforts to focus federal agencies’ attention on strategic planning through the Results Act and other initiatives offer opportunities to determine whether some research and development facilities could be realigned, consolidated, closed down, or better structured to maintain our leadership position.

Industries dominated by small businesses produced about 64 percent of the 2.5 million new jobs during 1996. The Small Business Administration (SBA), with a portfolio of loans worth more than \$45 billion, is the nation’s largest single financial backer of small businesses and provides management and technical assistance to about 1 million small business

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owners annually. Yet SBA has received considerable criticism, particularly regarding its program management and oversight.

The federal government provides disaster relief assistance to communities through many federal agencies, including the Federal Emergency Management Agency (FEMA). For a number of reasons, including a sequence of unusually large and costly disasters, obligations from FEMA's Disaster Relief Fund have soared over the past 5 years and in 1998 totaled over \$4 billion. The Congress is concerned about the escalating costs of disaster relief and FEMA's efforts to reform the multibillion-dollar disaster relief program and improve controls on spending.

By law and regulation, the federal government has sought to ensure that the financial system is fair and open to all investors, depositors, and those needing capital. Furthermore, law and regulation seek to provide some measure of protection against fraudulent or abusive practices in financial markets. In the face of the consolidation and globalization of financial institutions and markets, ensuring fair and open access becomes a greater challenge.

Over the next 6 years, the Congress may reauthorize (1) programs that fund the United States' food and agricultural needs, such as the 1996 Federal Agriculture Improvement and Reform Act; (2) several science and technology programs, including the Small Business Innovation Research program, the related Small Business Technology Transfer program, and the research and development tax credit; and (3) programs that fund emergency management work, such as FEMA's National Flood Insurance Program.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- identify how federal agencies can streamline and improve their programs to facilitate the delivery of grants, loans, and other types of economic assistance to communities;
- assess how the federal government can minimize financial risk in mortgage assistance;
- assess the effectiveness of current federal farm subsidies and the extent to which the 1996 Farm Bill has reduced agriculture's dependence on federal subsidies and improved its competitiveness;
- assess the impact of transportation, telecommunications, and postal policies on competition and consumers;
- assess the costs and outcomes of the federal investment in science and technology programs;
- identify cost-effective and efficient ways to assist small and minority-owned businesses;
- determine how federal disaster assistance costs can be reduced and targeted to the most cost-effective mitigation measures; and
- assess the regulatory effectiveness of programs and policies in ensuring access to financial services and deterring fraud and abuse.

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In connection with approaches outlined under the third goal of this plan, we plan to recommend improvements to the management of community and economic development programs through assessments of HUD's actions to correct long-standing Department-wide management deficiencies, agencies' efforts to coordinate and manage related community and economic development programs, USDA's reorganization initiatives, SBA's program management, and agencies' efforts to use strategic planning and performance measures.

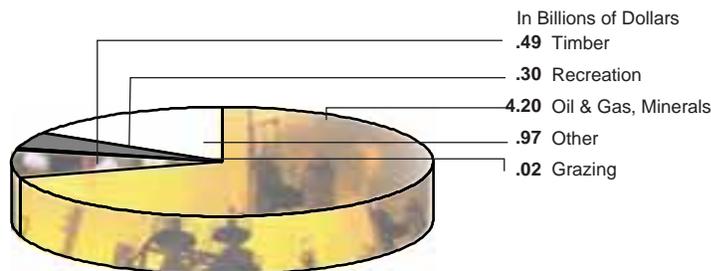


STRATEGIC OBJECTIVE:

Responsible Stewardship of Natural Resources and the Environment

Issue: The United States is blessed with an abundance of natural resources, much of which is federally owned and publicly accessible. The federal government owns 650 million acres, or 30 percent of the nation's total land surface, and about 3 billion acres of the Outer Continental Shelf. In fiscal year 1999, receipts from the sale or use of natural resources—such as timber, minerals, and oil and gas—generated about \$6 billion in federal revenues. Consumption of these resources contributes to current federal budgetary resources and economic activity. At the same time, national policy requires that natural resources be managed in a sustainable fashion to protect their ecological value and to ensure their availability to future generations.

Federal Receipts for Natural Resources, Fiscal Year 1999



Sources: USDA and Department of the Interior

One consideration is ensuring safe, secure, reliable, and sustainable sources of energy. Striking a balance between energy policy, environmental, and economic goals requires focusing attention on the impact of the electric industry restructuring, complying with clean air requirements, and adapting to global energy markets. Budgetary trade-offs for all of these issues are compounded by the hundreds of billions of dollars that will be needed to clean up and control the legacy of environmental degradation.

Similarly, the benefits of additional pollution controls have to be balanced against the costs of attaining them. Investments in pollution control have resulted in lower levels of major air pollutants and cleaner water. But the costs of environmental cleanup are high. The

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Environmental Protection Agency (EPA) has projected a continuing upward trend in environmental compliance costs amounting to approximately \$148 billion in the year 2000. Moreover, newly emergent problems, such as global warming, are not well understood but may require a substantial investment to control; and long-standing problems, like water pollution from agricultural runoff, will require new management approaches.

Cleaning up the legacy of toxic and hazardous wastes will also be expensive. Over 100 U.S. sites—many of them close to large population centers—have been contaminated with nuclear and other hazardous wastes. The Department of Energy (DOE) spends nearly \$6 billion a year to remove and dispose of nuclear waste, DOD spends on average about \$2 billion per year on hazardous waste cleanup, and EPA spends nearly \$2 billion a year on programs that clean up private hazardous waste sites. Altogether, cleaning up the nation's nuclear and other hazardous waste sites could cost the federal government about \$300 billion and the private sector hundreds of billions of dollars more.

Estimated Costs to Clean Up and Dispose of Nuclear Waste



Source: DOE.

Finally, the federal government will continue to have to work with other levels of government, particularly the states, and other countries to achieve environmental protection goals. EPA has delegated the responsibility for the day-to-day implementation of most federal environmental programs to the states. The United States is also a party to more than 170 international environmental agreements.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- assess the costs and outcomes of federal strategies for managing federally owned lands and the adequacy of legislative and regulatory guidance for resolving conflicts and making choices among competing land uses;

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- assess the impact of energy and environmental policies and regulations on the availability of secure and reliable sources of energy;
- assess the costs and outcomes of federal pollution control strategies and opportunities for more cost-effective approaches;
- assess opportunities to improve the management and cleanup of hazardous and nuclear waste sites; and
- assess U.S. efforts to address global and international environmental challenges.

In connection with approaches outlined under the third goal of this plan, we also will look to improve the management of energy, resources, and environmental programs through assessments of agencies' budget requests, data collection and management activities, human capital management practices, and grant and contract management.



STRATEGIC OBJECTIVE:

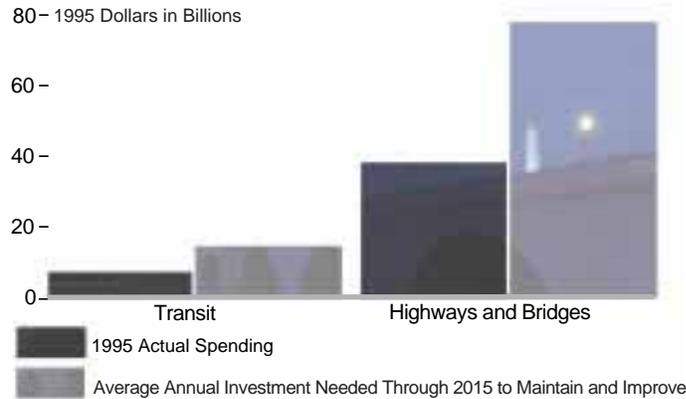
A Safe and Efficient National Physical Infrastructure

Issue: The nation's economic growth and security are heavily dependent on a physical infrastructure comprising, among other things, transportation networks, water supply systems, wastewater treatment and solid waste disposal facilities, schools, hospitals, and thousands of federal buildings and facilities. The American Society of Civil Engineers recently projected the 5-year cost to construct, repair, and maintain such structures at over \$1 trillion. Historically, the federal government has supported the construction of many of these systems and helped ensure the safety and efficiency of the services they provide.

Our transportation system is the world's most extensive—containing roughly 3.9 million miles of roads and streets; 200,000 miles of rail; over 18,000 airports, including 540 that provide commercial service; and 26,000 miles of navigable waterways. According to the Department of Transportation's (DOT) estimates, the annual costs of maintaining and improving the nation's transportation infrastructure are enormous—nearly \$80 billion for bridges and highways and over \$14 billion for mass transit, for example—but actual investment falls considerably short of these amounts. The Federal Aviation Administration's (FAA) air traffic control modernization program, which began in 1981, has received more than \$30 billion in appropriations and may require about \$10 billion more through 2004. Amtrak, for its part, has received over \$23 billion in federal subsidies since 1971.

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The Department of Transportation's Estimated Capital Funding Requirements vs Actual Spending



Source: DOT.

The performance of the nation's infrastructure, including transportation safety and efficiency, are major concerns. Highway fatalities and injuries cost the nation about \$165 billion each year, and fatalities from truck crashes are increasing. Although the current commercial aviation accident rate is relatively low, the projected increase in air traffic could mean an increase in accidents unless steps are taken to further improve safety.

Many communities' water supply systems and wastewater treatment facilities are inadequate, in need of repair, or nearing the end of their design life. EPA estimates that communities will need to invest a minimum of \$277 billion in these facilities over approximately the next 20 years, well beyond what many communities, especially smaller communities, can afford. The interstate shipment of solid waste and the siting and funding of locally acceptable disposal facilities will also continue to be an issue for many communities.

Drinking Water Infrastructure Needs, by State, 1995-2014



Note: Needs for water systems for American Indians and Alaska Natives are not included.
 Source: EPA.

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Finally, other buildings and facilities owned by the federal government must be maintained and/or modernized to continue to provide the level of services that American taxpayers expect and deserve. For example, although billions of dollars are invested each year in scientific and technical resources at hundreds of federal laboratories—whose work has implications for the nation’s security, environment, and economic well-being—these labs are located in aging facilities with extensive maintenance needs. The question thus arises of whether the labs can adequately support science-based programs with quality results in these facilities.

While the national economy benefits significantly from an effective physical infrastructure, these facilities are also designed to meet the needs and interests of local communities and of the private sector. Accordingly, state and local governments as well as private corporations have historically played a major role in both financing and operating infrastructure, often working in partnership with the federal government.

Clearly, the competition for federal dollars will continue. Identifying the “right” amount of infrastructure investment, in total and across the various competing needs, is one of the key challenges facing federal decisionmakers. Several factors contribute to this challenge. First, there is no accurate and consistent methodology to determine whether agencies’ estimates of infrastructure needs are overstated or understated. Second, because agencies have taken different approaches to analyzing the costs and benefits of potential infrastructure investments and because decisions about infrastructure spending are made by individual federal agencies and at all levels of government, the government as a whole has difficulty in setting priorities for investment. Third, evaluating agencies’ plans has been difficult because until recent efforts to comply with the Results Act, agencies have not been required to relate their planned infrastructure spending to their missions and goals. Finally, the federal budget process, because of its focus on the current year, does not prompt explicit debate about infrastructure spending, which is intended to have long-term benefits.

During the next 6 years, these factors will be important to the Congress as it considers reauthorizing many of the programs that fund infrastructure needs. For example, the current \$218 billion surface transportation program (the Transportation Equity Act for the 21st Century) will need to be reauthorized before 2004; safe drinking water and aviation legislation will also be up for reauthorization.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will:

- identify the full range of infrastructure investment needs and spending trends at the federal, state, and local levels; best practices; and potential solutions for improved decisionmaking on infrastructure investments;
- assess alternative methods for financing transportation projects;
- analyze the environmental and economic impact of transportation facilities on surrounding communities and alternatives for reducing congestion and delays;

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- assess the investments required to meet federal safe drinking water and wastewater treatment standards and the alternatives for cost-effectively maintaining, repairing, and replacing communities' drinking water, wastewater, and solid waste infrastructure;
- assess DOT's efforts to reduce accidents, injuries, and fatalities in all transportation modes;
- assess Amtrak's financial viability; and
- assess the cost-effectiveness of upgrading and maintaining the nation's federal buildings and facilities.

External Factors That May Affect Achievement of the Goal

Any significant changes in the major forces shaping the United States discussed earlier in this plan will affect our ability to meet our goals and objectives. In addition, information needs could change if health care costs continue to rise and interest grows in looking for alternative cost containment strategies. A sustained change in major stock markets, bringing average annual rates of return to historical averages, would have a major impact on retirement patterns and issues. Declining returns could place some private pension plans in jeopardy, cause some workers to postpone retirement, and force retirees to rely more on Social Security for their retirement income. Major transportation or environmental disasters could require us to immediately focus our efforts on congressional concerns related to specific public safety issues. A major Amtrak accident could further jeopardize Amtrak's already tenuous financial condition and require the diversion of some resources to respond to congressional concerns in that area.

All these developments would reshape congressional needs for information, probably by generating further need for analyses. We will be prepared to respond to such a change by maintaining our expertise and models needed for such analyses.

GOAL 2



PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

As the world has grown more interconnected through more open markets and rapidly developing technology, the United States faces threats to its security and economy from new sources. At the same time, the federal government tries to promote foreign policy goals, sound trade policies, and other strategies to help nations in every corner of the world upon whom the United States now depends as military allies and trading partners. In light of the trends we discussed earlier in globalization, technology, and threats to security, the second goal of our strategic plan is to help the Congress and the federal government in responding to changing security threats and the challenges of global interdependence. These include regional conflicts and instability sparked by adverse economic conditions, corruption, ethnic hatreds, and nationalism. Our specific objectives are to support congressional and federal efforts to

- Respond to diffuse threats to national and global security
- Ensure military capabilities and readiness
- Advance and protect U.S. international interests
- Respond to the impact of global market forces on U.S. economic and security interests

In addition, in connection with approaches outlined in the third goal of this plan, we will conduct analyses of the management of DOD and the State Department and its related agencies and recommend economy and efficiency improvements.



STRATEGIC OBJECTIVE:

Responding to Diffuse Threats to National and Global Security

Issue: In addition to more conventional military threats, the United States is confronting threats from terrorism; the proliferation of weapons of mass destruction; information warfare; and other more diffuse sources, which are harder to identify, respond to, and contain. These threats, in turn, have led to major administration and congressional initiatives.

The Central Intelligence Agency testified that “At least a dozen terrorist groups have expressed an interest in or have actively sought nuclear, chemical, or biological weapons capabilities.”

- *To combat terrorism*, more than 40 federal agencies, offices, and bureaus spend over \$10 billion a year. In the wake of the crash of Trans World Airlines Flight 800 and initial concerns that it may have been terrorist-related, a White House Commission made 29 recommendations aimed at improving aviation security. In addition, because of attacks on U.S. facilities, the President has proposed that the State Department spend \$3 billion over the next 5 years to improve the security of diplomatic missions overseas. DOD has a similar challenge in protecting its facilities overseas.
- *The spread of weapons of mass destruction* has also become a major focus. At least nine countries posing national security concerns are believed to have weapons of mass destruction (nuclear, biological, or chemical weapons). This number is expected to grow. Since 1991, DOD, DOE, and the State Department have been authorized to spend \$4.7 billion to prevent the further spread of such weapons.

Countries With Weapons of Mass Destruction Posing National Security Concerns



Sources: DOD and State Department

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● *Protection of the nation's critical infrastructure*—including that for energy, financial services, transportation, vital human services, and communications systems—is becoming increasingly important due largely to the dependence on complex interconnected computer systems. Criminals, terrorists, and others, working anonymously from remote locations and with relatively limited resources, can now use computers and the open interconnectivity of the Internet to severely disrupt this infrastructure, which is essential to our national defense, economic prosperity, and quality of life. Similar means can be used to commit massive fraud and gain access to highly sensitive information. The robust projections for the growth of electronic commerce could be weakened if businesses, governments, and the public are not confident that information exchanged via computer networks and over the Internet is secure. DOD's multibillion-dollar investment in digitized information systems to support key command, control, communications, and intelligence activities and its ongoing battle against intruders into the Department's computer systems illustrate the problem. In response, Presidential Decision Directive 63, issued in May 1998, has prompted an array of federal activities aimed at improving critical infrastructure protection, especially information security, in both the public and private sectors.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- analyze the effectiveness of federal agencies' programs to combat terrorism;
- assess the effectiveness of U.S. programs and agreements to prevent the proliferation of nuclear, biological, and chemical weapons;
- assess U.S. efforts to protect computer-supported critical infrastructure for business and government;
- assess DOD's ability to retain information superiority on the battlefield; and
- assess the effectiveness of DOT's oversight of domestic and international aviation security.



STRATEGIC OBJECTIVE:

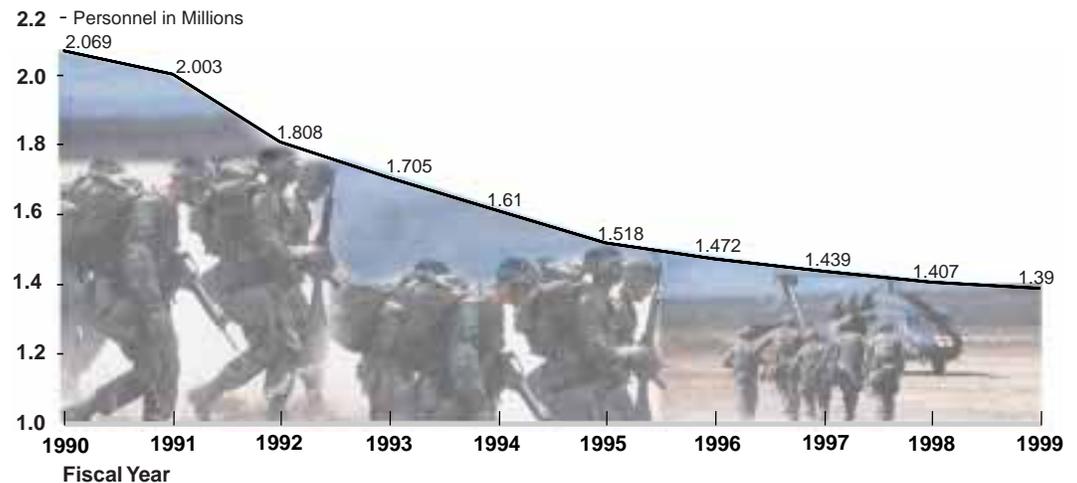
Ensuring Military Capabilities and Readiness

Issue: To ensure readiness to respond to major regional conflicts as well as diffuse threats, both today and in the future, the Congress has called for increased defense spending. In February 1999, the President proposed that DOD begin the first sustained increase in defense spending in 15 years, calling for additional resources totaling \$112 billion over the next 6 years. The most pressing requirements identified by senior military leaders fall into the first four areas:

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- *Force structure* has been reviewed a number of times since the end of the Cold War, resulting in substantial reductions. The Congress has expressed concern that the forces that remain may not be sufficient to implement the national military strategy and may not be sufficiently prepared to respond to the threats of the 21st century.
- *Personnel* recruiting, retention, and quality of life are linked to military pay and compensation, health care, retirement, housing, deployment, and various other factors. For the past several years, some service members reportedly have perceived an erosion of benefits and a decline in other conditions, which have been blamed for much of the military's current retention problems.
- *Readiness* of the military forces is a matter of increasing concern. This includes having well trained forces with the right skills, as well as the right weapons, equipment, and logistical support base. During the past 10 years, DOD has reduced active duty forces by nearly a third, from 2.1 million to about 1.4 million. The defense budget also has declined by 28 percent in constant dollars. In contrast, the number of deployments annually by the Army, for example, has increased from 26 to 68 over the last 12 years.

Reduction of DOD Active Duty Personnel



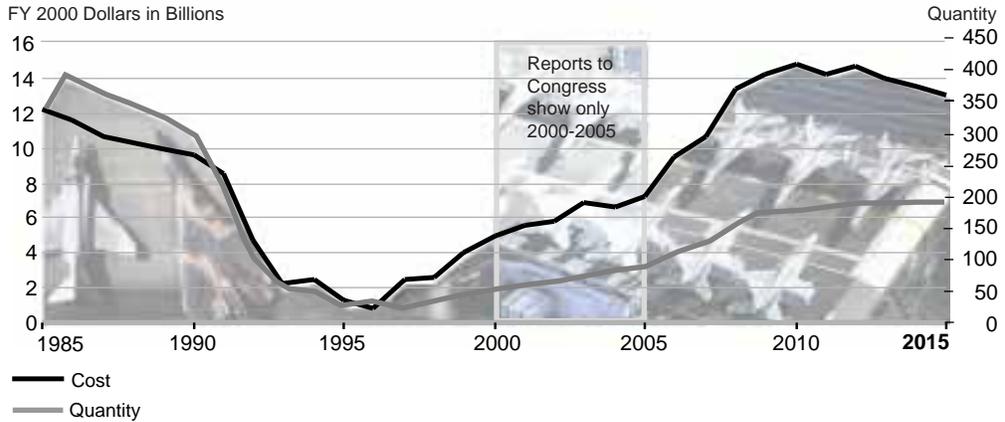
Source: Annual Report of the Secretary of Defense for 1999 to the President and the Congress.

- *Weapon systems modernization* has systemic problems that have led to escalating costs for weapon systems that take far longer to develop than planned, as exemplified by purchases of tactical aircraft. The pressures to get equipment into the field have led to systems that fall far below the promised performance and are more costly to support. Major financial commitments are being made independently on individual systems without considering whether the total for all such systems is needed given the changed security threats and is affordable given overall resource constraints. For example, to defend the United States against an intercontinental ballistic missile

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attack from a rogue nation and protect U.S. and allied deployed forces from theater missile attacks, the President has proposed about \$24 billion in total funding for national and theater missile defense systems from 2001 through 2005.

Cost and Quantity of Tactical Aircraft Purchases



Sources: DOD and Congressional Budget Office.

- The nuclear weapons complex* needs to be upgraded and modernized to ensure that the existing stockpile of weapons is safe and reliable. As is the case with other parts of the nation’s physical infrastructure discussed earlier, many of DOE’s existing production and laboratory facilities are about 40 years old. Also, many of its employees are reaching retirement age. To meet this challenge, DOE is expected to spend \$45 billion over the next 10 years. An equal number of billions may be needed for the cleanup and closure of obsolete facilities.

Performance Goals: To support efforts by the Congress and federal government to address these issues, we will

- assess development of an appropriate and ready force structure of people, weapons, and facilities for the post-Cold War period;
- assess improvements in personnel recruiting, retention, and quality of life;
- assess modernization of weapons systems and revisions of acquisition practices;
- assess improvements in the responsiveness and effectiveness of logistical support systems; and
- assess DOE’s efforts to maintain a safe and reliable nuclear weapons stockpile.



STRATEGIC OBJECTIVE:

Advancing and Protecting U.S. International Interests

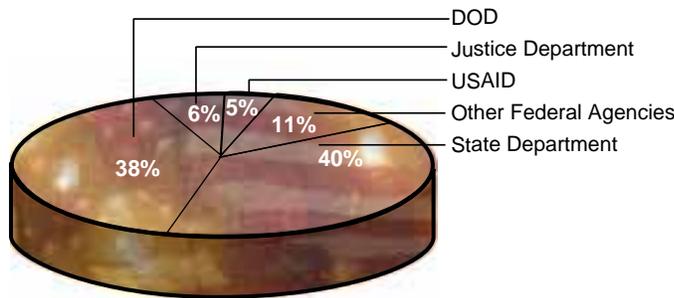
Issue: Although U.S. leaders agree on the ultimate goals of promoting global peace, prosperity, and stability, there is wide disagreement and intense debate about how to achieve them.

- ❖ *Military and humanitarian interventions* to make or keep the peace, stabilize and rebuild failed states, and deal with humanitarian emergencies have become major activities for the United States. These interventions are controversial, both domestically and internationally. They are also costly; the United States has spent over \$12 billion in the Balkans over the last 5 years.
- ❖ *Countries transitioning to democracies* and private market structures are critical to U.S. economic and security interests. The countries and regions in transition are large, they have combined populations in excess of 2 billion, and some are of strategic interest to the United States. The United States supports and encourages these transitions through democratic development and rule-of-law initiatives, military support and training, and development assistance and humanitarian aid. The extent to which the transition is successful will have significant implications for U.S. economic and security objectives and, ultimately, the U.S. budget. Countries failing to make a successful transition are more likely to embrace destructive nationalistic policies. The application and effectiveness of the tools available to the United States may affect the outcomes.
- ❖ *Military alliances* established decades ago are undergoing change to better reflect current and future needs and priorities. For example, NATO is expanding its membership eastward and changing its focus from defending the territory of Western Europe to promoting peace and stability outside member countries. Three countries were added to NATO this year, and others have signaled their interest in joining. The expansion has important implications for U.S. relations with Russia. In addition, NATO's operations in the Balkans highlighted the significant gaps that exist between the United States' and other NATO members' military capabilities. These gaps are likely to grow, further complicating the ability of the alliance to conduct joint operations and exacerbating concerns over how roles and costs will be shared by NATO members.
- ❖ *Multilateral institutions* such as the United Nations and over 50 other multilateral organizations in which the United States participates were created to address conflict resolution, economic development, and specialized transnational issues. The United States is seeking reforms in these institutions so that they can (1) adjust to today's needs, constraints, threats, and opportunities and (2) develop the capacity to deal with world issues more effectively and efficiently.

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- *Conducting foreign affairs* is becoming more complicated as the lines between domestic issues and international issues blur. About 35 federal agencies have about 19,000 U.S. staff assigned to overseas embassies, and most federal policies have international aspects. The State Department plays a key role in coordinating U.S. policy and programs for a region or country. To carry out its responsibilities, the State Department operates over 250 embassies and consulates located in over 160 countries. It either owns or leases about 12,000 properties at these locations. The reasonableness of the State Department's overseas infrastructure is being questioned.

Agencies' 19,000 U.S. Employees Assigned to Embassies



Source: State Department.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- analyze the plans, strategies, costs, and results achieved from U.S. interventions;
- analyze the effectiveness and management of foreign aid programs and the tools to carry them out;
- analyze the costs and implications of U.S. military alliances and commitments;
- evaluate the efficiency and accountability of the United Nations and related multilateral organizations and the extent to which they are serving U.S. interests; and
- assess the strategies used to manage U.S. foreign affairs functions and activities.

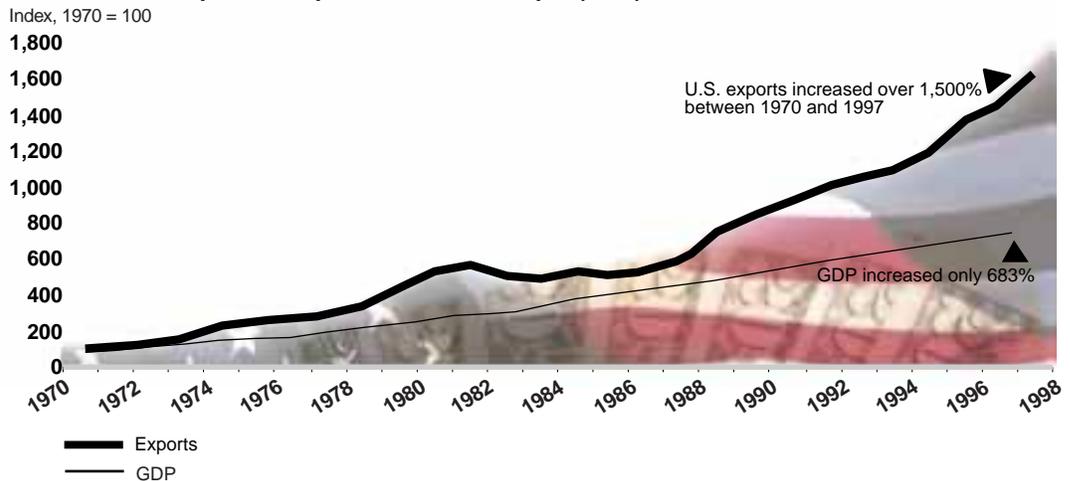


STRATEGIC OBJECTIVE:

*Responding to the Impact of Global Market Forces on U.S.
Economic and Security Interests*

Issue: Globalization is increasing the interdependence of the world's economies and affecting national security and the economic well-being of the American people. U.S. imports and exports have grown much faster than the economy. Moreover, the United States has been the principal architect of an open world trading system and, as the world's largest exporter of goods and services, has benefited immensely from global trade. But segments of the U.S. population have not shared equally and may not in the future share equally in these benefits. Moreover, global market forces have made the United States more vulnerable to overseas economic crises and have made it more difficult to maintain U.S. control over critical technologies and the industrial base that U.S. economic and military security depends on. With the global reach of the Internet, electronic government and commerce applications erase national boundaries. They thereby raise legitimate questions about legal responsibility, consumer protection, jurisdiction over offenses committed on-line, and many others. The most pressing concerns are in four areas.

Growth in U.S. Exports Compared to Overall Output (GDP) Since 1970



- Trade agreements are increasing in number, with no clear agreement on outcomes. Over 300 international trade agreements affect hundreds of billions of dollars in trade and millions of U.S. jobs. About 15 U.S. agencies spend about \$2.5 billion to promote U.S. exports and provide about \$22 billion in financing to support U.S. international trade, investment, and foreign policy objectives.
- The globalization of the defense industry, driven by the drop in governments' military investments worldwide, is following patterns similar to those found in other commer-

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cial sectors. Defense companies are engaged in a wide variety of business arrangements across national borders. For example, U.S. companies enter into offset agreements, in many cases developing long-term supplier relationships, which will change the nature of the market and the composition of the DOD supplier base. Although globalization has the potential to speed innovation and reduce costs, it also carries potential threats to the technological superiority of the U.S. military and may require even greater investments in weapons modernization.

- ❁ *Global financial health* and the maintenance of the global financial and trade systems are critical to long-term U.S. objectives and are cornerstones of U.S. foreign policy. Financial crises in Mexico, Asia, Russia, and elsewhere have raised questions about what can be done to prevent, solve, or contain the spread of regional financial crises. International financial institutions, such as the International Monetary Fund (IMF), are at the center of efforts to address financial crises. The United States is the major contributor to the IMF, appropriating \$18 billion for it in 1999, and relies heavily on it and the World Bank to promote world economic health. The operations and transparency of these institutions have come under increased scrutiny.
- ❁ *The U.S. financial services industry* is experiencing unprecedented growth and change both in the size of institutions and the range and impact of services being provided to customers. Each day, millions of households collectively have trillions of dollars flowing through the nation's financial institutions and markets. The globalization of financial firms and markets and constantly advancing technology have created opportunities for increased efficiencies but also have increased the risk that large-scale financial crises could spread quickly. As electronic commerce becomes the predominant business processing environment, audit and control issues, security, backup, and disaster recovery issues move to the forefront as concerns.

Performance Goals: To support efforts by the Congress and the federal government to address these issues, we will

- ❁ analyze how trade agreements and programs serve U.S. interests;
- ❁ improve understanding of the effects of defense industry globalization;
- ❁ assess how the United States can influence improvements in the world financial system and address crises;
- ❁ assess the ability of the financial services industry and its regulators to maintain a stable and efficient financial system in an era of global electronic commerce; and
- ❁ evaluate how prepared financial regulators are to respond to change and innovation.

GOAL 2: PROVIDE TIMELY QUALITY SERVICE TO THE CONGRESS
AND THE FEDERAL GOVERNMENT TO RESPOND TO CHANGING
SECURITY THREATS AND THE CHALLENGES OF
GLOBAL INTERDEPENDENCE

External Factors That May Affect Achievement of the Goal

In addition to factors discussed earlier, other factors could affect our ability to achieve this goal. Because we do not have the authority to access or inspect records, documents, or other materials held by other countries and at multilateral institutions that the United States works with to protect its interests, our ability to conduct thorough analyses of some issues will be affected by the level of openness and voluntary cooperation provided to us. Changes in the international environment and unanticipated geopolitical crises will also affect our strategy and objectives. We will monitor international events, work closely with our congressional client base, and maintain broad-based staff expertise so that we can quickly adjust our work focus to meet emerging needs.

GOAL 3



SUPPORT THE TRANSITION TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

As we enter the 21st century, American citizens are increasingly demanding improved government services and better stewardship of public resources. The federal government is adopting the principles of performance-based management in an effort to address these demands. This approach to managing government systematically integrates thinking about organizational structure; program and service delivery strategies; and the use of technology, reliable financial information, and effective human capital practices into decisions about the results the government intends to achieve. Many of the initiatives now under way across government to improve operations and strengthen accountability are being driven by management reforms statutorily established by the Congress. Yet the reforms did not encompass all areas of government management, in particular human capital strategic planning and management at a governmentwide level.

The reforms that have been adopted have profound implications for what government does (the products and services it delivers), how it is organized, and how it performs. Consequently, government decisionmakers and managers are adopting new ways of thinking, considering different ways of achieving goals, and using new information to guide decisions. At the same time, with budget surpluses now being projected for the coming years, the U.S. government faces a new set of challenges, in both the long and near terms, in making budget decisions. We have established a strategic goal of supporting the transition to a more results-oriented and accountable government in the new environment. We will

- Analyze the federal government's long-term and near-term fiscal position, outlook, and options
- Strengthen approaches for financing the government and determining accountability for the use of taxpayer dollars
- Facilitate governmentwide management and institutional reforms needed to build and sustain high-performing organizations and more effective government
- Recommend economy, efficiency, and effectiveness improvements in federal agency programs

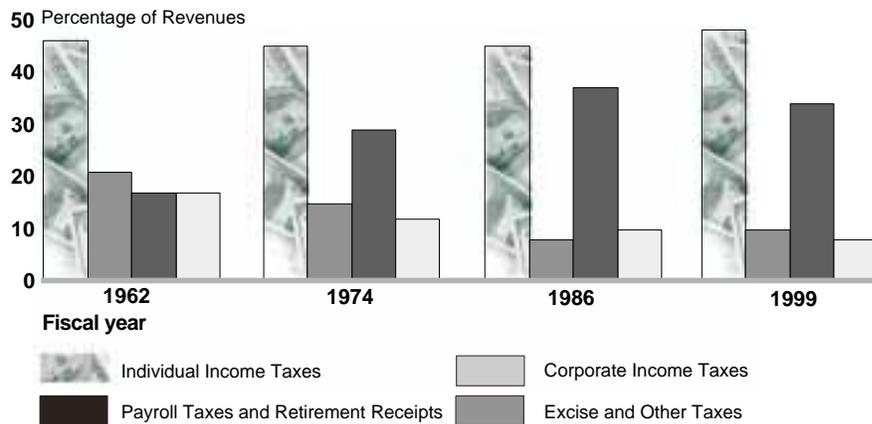


STRATEGIC OBJECTIVE:

Analyze the Federal Government's Long-Term and Near-Term Fiscal Position, Outlook, and Options

Issue: The nation has reached a new fiscal turning point: Chronic deficits have been replaced by projected surpluses. This has recast fiscal policy and resource allocation from a preoccupation with reducing deficits to a more far-reaching debate about the relevance of today's fiscal and economic decisions for the future. While the focus on the long term is critical, it is accompanied by the practical recognition of near-term pressures. To more fully understand the context for near-term decisions, however, it is important to look at trends in revenue sources and the distribution of expenditures, which show (among other things) growth in employment taxes, such as those for Social Security (Old Age Survivors and Disability Insurance), in the revenue stream and a dramatic change over time in the activities funded by federal expenditures.

Sources of Federal Revenues, 1962-99

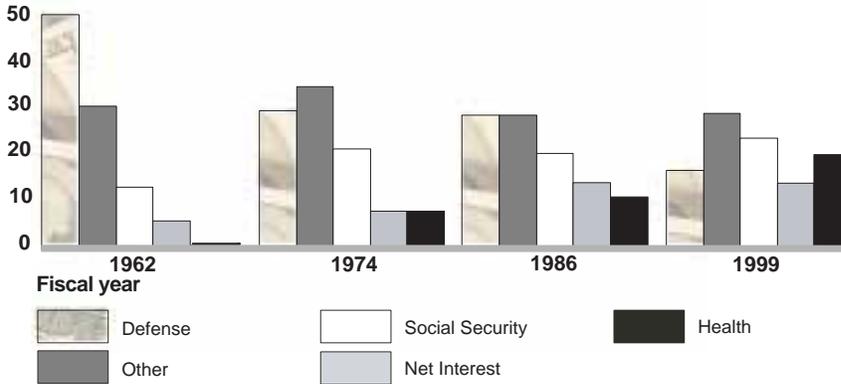


Source: *Budget of the U.S. Government, Fiscal Year 2001.*

GOAL 3: SUPPORT THE TRANSITION TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

Distribution of Federal Spending, 1962-99

60 Percentage of Outlays

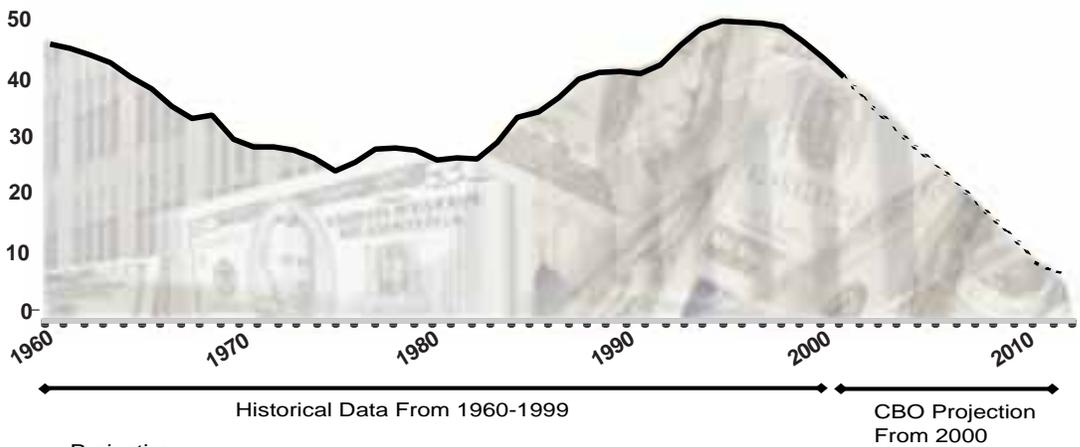


Source: *Budget of the U.S. Government, Fiscal Year 2001*.

Projections now show a unified budget surplus throughout the forecast period. Absent changes in tax or spending policies, the Congressional Budget Office's (CBO) baseline forecast projects that the debt held by the public will fall to levels not seen for some time.

Debt Held by the Public as a Percentage of GDP, 1960-2010

60 Percentage of GDP



- - - Projection

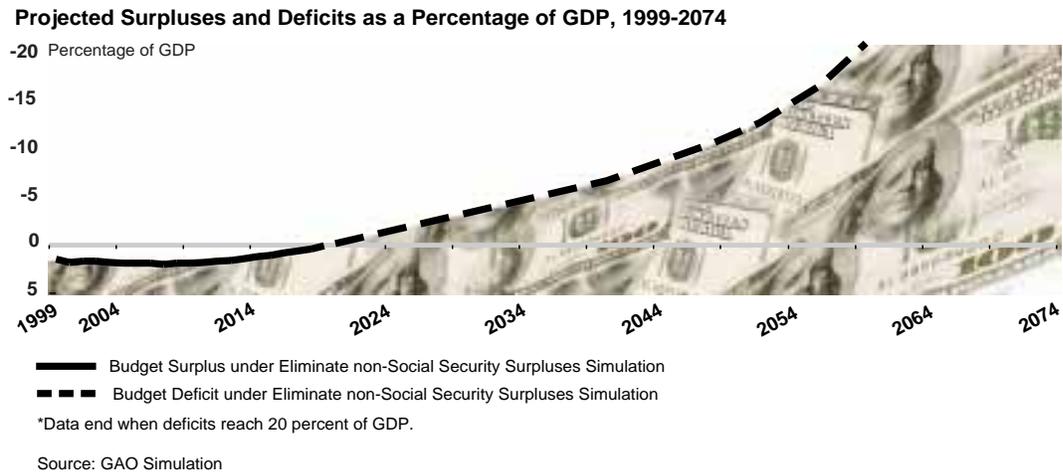
Note: Projection assumes that discretionary spending grows at the rate of inflation after 2000.

Source: *Budget of the U.S. Government, Fiscal Year 2001*, and Congressional Budget Office.

These projections should be viewed with caution. The levels of public saving assumed in the simulation exceed both U.S. historical levels and those sustained by most other countries we have studied. Essentially, saving just the Social Security surplus would eliminate debt held by the public—an outcome with benefits for both the budget and the economy.

**GOAL 3: SUPPORT THE TRANSITION TO A MORE
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But it would require sustained fiscal sacrifice unlike any seen in our modern experience. Even if we achieve this, the surpluses will eventually be overwhelmed by demographic and anticipated health care cost trends. Our long-term budget model suggests that a period of surpluses will be followed by the resumption of large deficits and levels of debt over the longer term, absent policy changes.



Even if annual Social Security surpluses are saved, the current fiscal policy path is unsustainable over the long term. As the Baby Boom generation retires, growth in the labor force is expected to slow considerably. Our analyses continue to show that even if the total surplus is saved and budget caps are adhered to, the combination of longer life expectancy, the aging Baby Boom generation, and a relatively smaller working population will lead to renewed deficits and debt; and the nation will again find itself in a cycle of escalating deficits, debt, and interest costs. As a result, budgetary flexibility declines drastically, and there is increasingly little or no room for programs other than those for the elderly.

Although Social Security's and Medicare's sustainability and solvency largely drive the long-term outlook, there is also an increasing willingness to pay attention to the long-term implications of other programmatic and budgetary decisions. This is likely to feed into discussions about whether and how to change the budget process. New questions are being raised about the continued legitimacy of budget rules and controls (guiding the allocation of resources) that were forged in an era of large deficits. Perennial debates about whether budget structures and measures help the Congress address the right kinds of trade-offs among competing needs and whether they best promote full transparency for both the full costs and benefits of major decisions will continue to surface in this environment.

Our contribution to addressing the long-term fiscal health of the nation recognizes two important elements: (1) fiscal policies promoting higher current savings and investment can help expand the economic resources and incomes of future generations, thereby enhancing their capacity to finance long-term commitments, and (2) the full recognition of the future costs inherent in the government's current commitments can prompt

decisionmakers to address the admittedly difficult choices to make major programs more affordable and economically sustainable. Another key part of accountability for taxpayer dollars is finding ways to more systematically bring audit, evaluation, and financial information together in a way that assists the Congress in making budget decisions. Finally, it is important to improve the understanding of the budgetary implications of the various tools—for example, grants, loans, tax expenditures, and regulations—through which the federal government engages other parties in achieving federal goals.

Performance Goals: To support the Congress in addressing these issues, we will

- address the long-term fiscal health of the federal government,
- analyze the structure and information for budgetary choices,
- promote effective management of resources, and
- identify budget implications of various governmental tools using the third parties in federal programs.



STRATEGIC OBJECTIVE:

Strengthen Approaches for Financing the Government and Determining Accountability for the Use of Taxpayer Dollars

Issue: As the nation's chief tax collector, the IRS interacts with more Americans than any other government organization. Each year, taxpayers file about 215 million tax returns and over a billion information returns that, along with other sources, result in the collection of more than \$1.8 trillion in tax revenues. Compliance with tax laws accounts for a significant portion of the total burden imposed on private businesses and individuals by federal agencies' regulations and information collection and maintenance requirements.

This is a period of substantial change in how our tax system is administered. In response to IRS' poor track record for managing its operations and relations with taxpayers, the Congress passed reform legislation in 1998 that, among other things, mandated that IRS reorganize its operations to better address the needs of diverse groups of taxpayers. To achieve this reform, IRS must make fundamental changes in virtually every part of its organization; it must redefine its business practices, refocus its organizational structure, establish performance-based management, and build systems that support its operations and management. In the IRS Commissioner's estimation, this restructuring will take at least a decade to complete; congressional interest can be expected to remain focused on how IRS is progressing.

The Congress also remains interested in reforming the tax code—in particular, simplifying it. Given the code's size and complexity, there is considerable room for improvement. The federal tax system includes hundreds of billions in tax incentive programs—such as exclusions of employee benefits and the research tax credit—passed by the Congress to influence taxpayers' behavior throughout the economy; but little is known about the effects of many of these programs.

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Congressional attention will also continue to focus on controlling spending. A key to making resource decisions is having reliable, useful, and timely financial information routinely available. Such information is also necessary to ensure financial accountability and to improve the economy, efficiency, and effectiveness of government actions that have a direct impact on achieving a more results-oriented government. A critical reform component legislated by the Congress in the Government Management Reform Act of 1994 entailed having annual audited financial statements for 24 major federal departments and agencies (referred to as Chief Financial Officers [CFO] agencies), beginning with fiscal year 1996. It also entailed the preparation of financial statements for the U.S. government as a whole, beginning with fiscal year 1997. GAO is legislatively required to audit the annual governmentwide financial statements.

Considerable effort is being made by agencies to comply with this mandate, and steady improvements in financial accountability are occurring. However, a number of major agencies are not yet able to produce auditable financial statements on a consistent basis, and major obstacles need to be overcome to achieve a clean opinion and the accountability expected by the public.

Number of the 24 CFO Agencies With Unqualified Opinions on Financial Statements

24 Number of CFO Agencies



Sources: Agencies' financial statement audit reports.

*As of March 20, 2000, 22 of the 24 agencies have received audit opinions or disclaimers.

Similar challenges exist in producing reliable statements for the entire U.S. government. For fiscal years 1997, 1998, and 1999, we were unable to give an opinion on the U.S. government's financial statements.

GAO's audits of the U.S. government's financial statements have brought to the forefront the serious nature and magnitude of what are generally long-standing problems and the need to focus on solutions. Because of the serious deficiencies in the government's systems, recordkeeping, documentation, financial reporting, and controls, amounts reported in the financial statements and related notes do not provide a reliable source of information for decisionmaking by the government or the public. These deficiencies affect the reliability of the financial statements and the government's ability to accurately measure the full cost and financial performance of programs and manage its operations. The executive branch

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recognizes the extent and severity of existing deficiencies and understands that addressing them will require concerted improvement across government.



CHALLENGES TO PRODUCING RELIABLE FINANCIAL STATEMENTS FOR THE U.S. GOVERNMENT

MAJOR PROBLEMS INCLUDE THE GOVERNMENT'S INABILITY TO

- PROPERLY ACCOUNT FOR MATERIAL AMOUNTS OF PROPERTY, EQUIPMENT, MATERIALS, AND SUPPLIES AND CERTAIN STEWARDSHIP ASSETS
- PROPERLY ESTIMATE THE COST OF CERTAIN MAJOR FEDERAL CREDIT PROGRAMS AND THE RELATED LOANS RECEIVABLE AND LOAN GUARANTEE LIABILITIES
- ESTIMATE AND RELIABLY REPORT MATERIAL AMOUNTS OF ENVIRONMENTAL AND DISPOSAL LIABILITIES AND RELATED COSTS
- DETERMINE THE PROPER AMOUNT OF VARIOUS REPORTED LIABILITIES
- ACCURATELY REPORT MAJOR PORTIONS OF THE NET COST OF GOVERNMENT OPERATIONS
- ENSURE THAT ALL DISBURSEMENTS ARE PROPERLY RECORDED
- PROPERLY PREPARE THE GOVERNMENT'S FINANCIAL STATEMENTS

GAO's enabling legislation, the Budget and Accounting Act of 1921, authorizes GAO to investigate "all matters relating to the receipt, disbursement and application of public funds" and "settle all accounts of the United States Government." GAO enhances accountability for the use of taxpayer dollars consistent with applicable laws through its audits, investigations, and legal decisions and opinions. Agencies use GAO's legal and accounting advice and guidance to determine compliance with the laws and regulations governing the use of taxpayer dollars in agency accounts.

Performance Goals: To support the Congress and the federal government in addressing these issues, we will

- support congressional oversight of IRS' modernization and reform efforts,
- contribute to congressional deliberations on tax policy, and
- strengthen accountability for the federal government's assets and operations.



STRATEGIC OBJECTIVE:

Facilitate Governmentwide Management and Institutional Reforms Needed to Build and Sustain High-Performing Organizations and More Effective Government

Issue: Over the last decade, the Congress and the administration have established a statutory and management framework intended to create high-performing organizations across government. This framework is contained in the 1993 Government Performance and Results Act; the 1990 CFO Act and related financial management legislation; information technology reform legislation, including the 1996 Clinger-Cohen Act and the 1995 Paper-

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work Reduction Act; and the 1994 Federal Acquisition Streamlining Act and related legislation for streamlining and simplifying processes for acquiring goods and services.

Concerning the first component of management reform—results-oriented performance management—our work has consistently shown that many agencies face long-standing and substantial challenges to becoming high-performing organizations. Our work has also consistently shown that major improvements in results are possible when an agency takes a disciplined approach to implementing the management practices used by high-performing organizations. Such approaches include better planning of how mission-critical challenges and risk will be addressed, coordinating crosscutting programs, considering the performance consequences of budget decisions, integrating human capital and program performance planning, and building the capacity to gather and use performance information.



KEY CHARACTERISTICS OF HIGH-PERFORMING ORGANIZATIONS INCLUDE

- A CLEAR MISSION AND VISION THAT IS COMMUNICATED BY TOP LEADERSHIP
- A STRATEGIC PLANNING PROCESS THAT YIELDS RESULTS-ORIENTED GOALS AND MEASURES
- ORGANIZATIONAL ALIGNMENT TO ACHIEVE GOALS
- THE STRATEGIC USE OF TECHNOLOGY TO ACHIEVE GOALS
- THE USE OF SOUND FINANCIAL AND PERFORMANCE INFORMATION TO MAKE DECISIONS
- EFFECTIVE MANAGEMENT OF HUMAN CAPITAL

In addition to the mandated annual audited financial statements discussed earlier, the CFO Act and other legislation, such as the Federal Financial Management Improvement Act, set the expectation for building the financial management infrastructure to support government operations. While an unqualified audit opinion is essential to providing an annual public scorecard on accountability, the end goal is reliable, useful, and timely day-to-day information to support ongoing management and accountability. Specifically, legislation sets the expectation for agencies to (1) create effective financial management organizations; (2) develop and deploy modern financial management systems; (3) routinely produce sound cost and operating performance information; and (4) design results-oriented reports on the government's financial condition by integrating budget, accounting, and program information. These legislative expectations have not yet been realized.

Another key element of management reform, information technology management can be used to dramatically reshape government and make it more innovative, efficient, and responsive. Fully capitalizing on modern information technology, especially through electronic government and commerce initiatives, is essential to reducing the government's costs and improving service delivery to the public. The federal government currently spends over \$38 billion annually for information technology-related expenditures, but it has a poor

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record in implementing effective information management practices. In addition, the rapid expansion towards on-line government services and electronic commercial business means that governments and policymakers in the U.S. and abroad are confronting increasingly complex issues, such as security, privacy, taxation, and adequate technology infrastructure development. Furthermore, the Internet is providing unprecedented opportunities to significantly improve how the government conducts procurement transactions. Agencies must view investments in electronic commerce as they do others—giving priority to those with the greatest returns and determining whether changes in business practices or operations are necessary to take full advantage of the improvement opportunities enabled by information technologies.

The government's acquisition function also needs to be examined and improved. Over the years, there has been concern that the goods and services the government acquires frequently cost too much, are late, and fail to perform as expected. In the 1990s, Congress enacted laws to streamline and simplify the acquisition process; and the implementation and oversight of acquisition reform continues to this day. Also, as the government continues to increase its use of contractors to perform its functions, increasing attention is being given to the government's ability to award and manage these contracts. In addition to assisting in oversight of acquisition processes through evaluations, GAO serves as an independent forum for the resolution of protests concerning awards of federal contracts.

Among federal agencies' assets, one of the most important is their human capital. Building and maintaining effective human capital is critical both to accomplishing agencies' missions and to making efficient, effective, and economical use of taxpayer funds. However, while financial management, information technology management, acquisition, and performance management have been the subject of major reform legislation, no consensus has emerged on the fundamental structural or policy changes needed to address agencies' management of their human capital.

Moreover, the current environment, including higher expectations for government performance and continuing fiscal pressures, heightens the urgency of taking a governmentwide perspective on key decisions. Current budget and decision processes present obstacles to government strategic planning, organizational decisionmaking, and the management of crosscutting issues. While the central management agencies—notably the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM)—could take a stronger role in governmentwide strategic planning and management, they have not traditionally done so. Such a change would require the President to give governmentwide strategic planning and management a high priority and establish a framework to engage executive branch leadership to that end.

Performance Goals: To support the Congress and the federal government in addressing these issues, we will

- analyze and support efforts to instill results-oriented management across the government;
- identify needed improvements to the government's financial management infrastructure;

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- help build the government's capacity to manage information technology to improve performance;
- enhance efforts to manage the collection, use, and dissemination of government information in an era of rapidly changing technology;
- identify and facilitate the implementation of human capital practices that will improve federal economy, efficiency, and effectiveness; and
- improve acquisition policies and practices.



STRATEGIC OBJECTIVE:

Recommend Economy, Efficiency, and Effectiveness Improvements in Federal Agency Programs

Issue: Since 1990, we have periodically reported on government operations that we identified as “high-risk” because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement. Many of these challenges are long-standing, and we have made hundreds of recommendations to address them. Lasting solutions to high-risk problems and management challenges offer the potential to save billions of dollars, dramatically improve service to the American public, and strengthen confidence in government. Our latest high-risk report, in January 1999, focused on 26 areas in six categories that span critical government programs. In addition, analyses and evaluations involving substantive matters are conducted on the operations of other independent agencies that are not addressed under other strategic objectives and are requested by Committees and Members of Congress. These often result in important improvements to government operations.

SIX HIGH-RISK CATEGORIES IN 1999

- ADDRESSING THE URGENT Y2K COMPUTING CHALLENGE
- RESOLVING SERIOUS INFORMATION SECURITY WEAKNESSES
- ENSURING MAJOR TECHNOLOGY INVESTMENTS IMPROVE SERVICES
- PROVIDING BASIC FINANCIAL ACCOUNTABILITY
- REDUCING INORDINATE PROGRAM MANAGEMENT RISKS
- MANAGING LARGE PROCUREMENT OPERATIONS MORE EFFICIENTLY

High-risk areas include multibillion-dollar information technology modernizations that are key to the government's future ability to deliver critical services—safe and efficient air travel, modern tax processing and customer service operations, and improved weather forecasting—and the improvement of systems that support national defense operations. Also at high risk are the financial management operations at DOD, FAA, the Forest Service, and IRS. In addition, we have identified a number of government programs that

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are not managed effectively or that experience chronic waste and inefficiency, including Medicare, Supplemental Security Income, and programs at HUD, as well as student financial aid and farm loan programs. Furthermore, our work has shown that some of the government's largest procurement operations are not always run efficiently, including DOD's inventory management, weapon systems acquisition, and contract management, as well as contract management at several civilian agencies—DOE, EPA for Superfund, and NASA.

Our 1999 high-risk update was accompanied by our first performance and accountability series, which covers a broad range of major management challenges across government. The series contains separate reports on 20 agencies—all of the cabinet departments and most of the major independent agencies, as well as the U.S. Postal Service. Collectively, these reports show that federal agencies face challenges for achieving economy, efficiency, and effectiveness in their operations. The series also underscores the critical role that the principles of performance-based management can play in successfully providing the products, services, and results that taxpayers expect.

We will undertake a comprehensive review and reassessment of our performance and accountability and high-risk initiatives for use in our next update report scheduled for 2001. In conducting this review and reassessment, and as is consistent with our normal practices, we will consult with key stakeholders, including congressional and agency representatives, before finalizing our approach. This effort will likely result in new ways of determining and presenting risk, especially in connection with selected functions (e.g., strategic planning, organizational alignment, human capital strategies, and contract management) as well as at the overall department and agency levels. At the same time, the ultimate determination of what is considered "high-risk" will continue to involve the independent, professional, and objective judgment of GAO professionals.

Committees and Members of Congress often request us to analyze and evaluate federal agencies and programs to determine whether they are as efficient, economical, and effective as they can be. Also, we often examine the potential for duplication in programs where many agencies are involved in the same or related activities. These efforts often result in important improvements to government operations. Prime examples are assessments of specific operations or management decisions of the Postal Service, such as reviews of labor-management relations and automation efforts. We also review financial management and other issues related to the District of Columbia government, as well as legislative branch agencies and small independent entities, such as the Architect of the Capitol, Library of Congress, Government Printing Office, Federal Election Commission, National Archives and Records Administration, Federal Labor Relations Authority, and an ever-changing array of adhoc entities, such as the National Study Commission on the Impact of Gambling and the President's Health Care Task Force.

Another critical focus of GAO's work is determining whether particular agency activities and programs are complying with applicable laws and regulations. In addition to analyzing legal issues in the context of reports and testimony, GAO issues legal opinions and provides other assistance directly to the Congress and federal agencies. GAO is statutorily vested with certain functions, such as resolving bid protests against agency contract awards, reviewing all major rules to determine their compliance with applicable procedural requirements, and determining whether acting officers appointed to vacant executive agency positions are serving beyond statutory time limits. In addition, at the request of Committees and Members of Congress, GAO provides legal opinions and analyses on issues spanning the range of government programs and activities.

Performance Goals: To support the Congress and the federal government in addressing these issues, we will

- highlight the specific major management challenges confronting agencies and those federal operations at highest risk of fraud, waste, abuse, and mismanagement and
- review the economy, efficiency, and effectiveness, of key federal agencies and activities.

External Factors That May Affect Achievement of the Goal

Sustained commitment and support by the administration and top agency managers and continued attention by the Congress are essential to achieve management reform and address major management challenges and high-risk areas. Toward this end, we will

- continue to stress the importance of financial management reform efforts and the role of improved financial information in more effectively, efficiently, and economically managing government operations and providing needed accountability—while working closely with the Congress, as well as with representatives of OMB, the Department of the Treasury, and the CFOs and Inspectors General throughout government;
- focus work on demonstrating how high-quality program performance and cost information can help inform congressional and executive branch decisionmaking;
- persist in pressing agencies to follow through on needed solutions to address major management challenges and high-risk problems and continue to encourage the Congress to act to focus on individual major management challenges through hearings and legislation, which has been a successful strategy to address past problems; and
- work with the Inspectors General, state audit agencies, congressional agencies, and other members of the accountability community to take better advantage of experience and capacity.

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Efforts to improve the government's performance and accountability could be affected by (1) the priority assigned by the administration and agency management, (2) the capacity within agencies to develop and effectively use performance and cost information to make improvements, and (3) the level of resources provided for needed investments in agencies' management systems and the way these resources are managed. To mitigate the effect of these factors, we plan to develop specific strategies and practices that agencies can adopt to build their capacity in this regard and help ensure that performance and cost information is useful and used. We will also focus on showing how management practices used by high-performing organizations are key to successfully operating in environments where budgets are limited.

GOAL 4



MAXIMIZE THE VALUE OF GAO BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT

To successfully carry out our responsibilities to the Congress and the American people, as articulated in our three external strategic goals, GAO first and foremost must be perceived as credible and must lead by example. Our fourth strategic goal provides the framework for enhancing and sustaining our organizational credibility throughout the world. To accomplish our goal of being a model government for the federal government, our strategic objectives are to

- ❁ Cultivate and foster effective congressional and agency relations
- ❁ Implement a model strategic and annual planning and reporting process
- ❁ Align human capital policies and practices to support GAO's mission
- ❁ Develop efficient and responsive business processes
- ❁ Build an integrated and reliable information technology infrastructure



STRATEGIC OBJECTIVE:

Cultivate and Foster Effective Congressional and Agency Relations

Issue: Faced with addressing the myriad complex and sensitive issues that confront the nation, the Congress increasingly relies on GAO for information and analyses to inform its policy decisions and to improve federal government operations. With the demand for GAO's resources exceeding their availability, we must work with our congressional clients to help them understand how to effectively use our services, determine what their most critical interests are, and ensure that we understand how best to meet their needs. The differing and complementary roles and responsibilities of GAO, the Congressional Research Service (CRS), and the Congressional Budget Office (CBO) require a close working relationship among the three agencies so requests more appropriate to a sister agency are forwarded to that agency. We need to continue to improve our relations with the federal agencies we evaluate to be able to contribute substantively to successful and lasting improvement in government accountability and management.

Performance Goals:

- Strengthen communications with our congressional clients
- Implement clearly defined, consistently applied, well documented, and transparent policies and protocols for working with the Congress and agencies
- Improve internal processes to help GAO's senior executives and staff better serve the Congress



STRATEGIC OBJECTIVE:

Implement a Model Strategic and Annual Planning and Reporting Process

Issue: Central to GAO's ability to successfully carry out its mission are well thought-out and rigorously implemented strategic and annual planning processes that guide agency actions and stand as a model under the Government Performance and Results Act (GPRA). GAO will update its overall strategic plan and its more detailed strategic objective plans every two years. In addition, we will have an annual performance plan and an annual accountability report. Together, these documents will help GAO better serve the Congress by identifying and focusing the agency's work on the most important current and emerging national issues while demonstrating the results of GAO's efforts using meaningful and well-understood measures.

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Performance Goals:

- Use a strategic planning process that meets the intent of the Government Performance and Results Act
- Develop a performance tracking system and publish annual performance plans and reports
- Realign organizational structure and resources to the strategic goals and objectives



STRATEGIC OBJECTIVE:

Align Human Capital Policies and Practices to Support GAO's Mission

Issue: GAO is a multidisciplinary, knowledge-based, professional services organization. Our ability to produce products and serve our clients is directly linked to the quality of our senior leadership team, the abilities of our staff, and a work environment that supports high performance. With the vast majority of our resources devoted to staff salary and benefits, our people are our most important investment. Effective and efficient human capital management strategies, policies, and systems are crucial to our continued success. Using in-house and contractual assistance, we will develop and implement a human capital plan that ensures that our policies and practices align with and support our mission, goals, and best practices.

Performance Goals:

- Develop and implement a strategic human capital plan
- Implement an approach to assessing and inventorying knowledge and skills needed to meet our strategic goals and objectives
- Update appraisal systems to support the agency's core values, strategic plan, and performance goals
- Improve recruitment, training/development, and recognition/rewards programs



STRATEGIC OBJECTIVE:

Develop Efficient and Responsive Business Processes

Issue: The Congress is inundated from numerous sources with information and analyses to influence congressional decisionmaking on critical policy issues and efforts to improve federal government operations. What often sets GAO apart from these other sources is the nature of its work—original data collection and analyses—combined with professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information. The Congress and the public depend on us to turn assertions and information into facts and knowledge. The continued credibility of our work, products, and other services

GOAL 4: MAXIMIZE THE VALUE OF GAO BY
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depends on internal business processes that are efficient, responsive to our clients' needs, reflect risk-based management principles, demand the application of methodological rigor, and ensure the highest-quality work and product standards. At the same time, we also want to take advantage of opportunities for greater efficiency and responsiveness through reengineering our product line and improving our job process, along with greater collaboration and consultation with our sister congressional agencies, CBO and CRS. In addition, we need to move to a managerial-based accounting system to develop the cost information needed to better measure our performance and enhance decisionmaking.

Performance Goals:

- Continue improving the Job Management Process and other business processes to be more responsive to our clients' needs, reduce administrative burden, and expedite product issuance
- Reengineer our product and service lines
- Enhance coordination with CBO and CRS to increase opportunities for collaboration and consultation
- Develop and implement a managerial accounting system



STRATEGIC OBJECTIVE:

Build an Integrated and Reliable Information Technology Infrastructure

Issue: For GAO to become a model of organizational efficiency, effectiveness, and accountability in the federal government, we must be able to maximize the benefits of information technology. Over the years, we have made important strides in—and realized efficiencies by—introducing technology into the organization. However, we need to maintain and enhance our ability to take greater advantage of modern technology and achieve an integrated infrastructure that supports our client service, strategic planning, human capital, and business process goals and objectives. This will include expanding the use of Web-based applications to conduct and manage our work and analysis and greater use of intranets and extranets for improved information exchange. We also need to ensure that we choose the most cost-effective approach, carefully weighing options for outsourcing and shared services. This objective refocuses our efforts on building and refining a technology infrastructure to more effectively support these needs.

**GOAL 4: MAXIMIZE THE VALUE OF GAO BY
BEING A MODEL ORGANIZATION FOR
THE FEDERAL GOVERNMENT**

Performance Goals:

- ❁ Develop a long-term comprehensive plan for an integrated information technology approach
- ❁ Develop and implement a short-term cost-effective approach that begins to satisfy GAO's information needs quickly
- ❁ Establish performance and cost metrics addressing the quality and value of information technology services
- ❁ Ensure the availability of required information technology skills

External Factors That May Affect Achievement of the Goal

The primary constraint to achieving our objectives under this goal relates to the availability of resources. More specifically, we envision relying, to a great extent, on in-house expertise as we develop the necessary strategies, policies, and process changes identified with each of our five strategic objectives. This approach will require us to balance the availability of resources for these efforts against the limited resource base we currently have at our disposal to satisfy our congressional clients' needs. We believe that our application of matrix management principles will help provide the needed in-house resources.

In-house expertise alone will not be enough to fully accomplish our objectives. This is especially true with regard to our human capital, business process, and information technology initiatives. In order to bring a fresh perspective, subject expertise, and knowledge of best practices to these issues, we will need to rely on assistance from external consultants. If sufficient external resources are not made available, this will, at a minimum, delay our achieving our stated objectives. We will work closely with our oversight and appropriations committees to help ensure that needed resources are made available.

PERFORMANCE MEASURES AND EVALUATIONS

In developing our plan, we relied on a variety of information about past performance to determine priorities for the future. We will continue to rely on a number of these performance measures and regular evaluations to judge our progress towards our goals and objectives over the period of this plan. We intend to develop a number of new performance indicators and information systems as well.

Key Performance Measures

We are using both quantitative and qualitative performance goals and measures to demonstrate our progress in achieving our strategic goals and objectives. Collectively, these performance goals and measures will demonstrate the extent to which we provide timely, quality service to the Congress and the federal government to respond to current and emerging challenges and help bring about improvements in operations and accountability for a more results-oriented government. For our external strategic goals 1, 2, and 3, we will continue to use the following measures of results:

- Financial benefits, as measured by budgetary savings identified by our work and acted upon by the Congress or federal agencies
- Improvements in government programs to which our work contributed, such as improving programs' economy, efficiency, and effectiveness and better financial or information management systems
- Testimonies delivered, which we have used as a measure of direct support to the Congress
- Recommendations made, and subsequently implemented, to correct underlying causes of problems that impede government efficiency and effectiveness

As the nation's number one accountability organization, GAO must be a model organization for the federal government. Our fourth strategic goal provides the framework for enhancing and sustaining our organizational credibility. Our measures will focus on our products and services so that they are delivered in a timely fashion, are conducted within an appropriate timeframe and level of investment, meet our quality standards, and reflect the multidisciplinary approach to our work. Our mission support activities—such as human capital, financial management, information technology, and other core business processes—play a critical role in achieving this strategic goal.

For each of our strategic objectives, we will use qualitative, multiyear performance goals that are intended to capture the breadth and depth of our work. To assess our progress in attaining these goals, we plan to gauge the extent that congressional decisionmakers and others use our information and recommendations towards achieving potential outcomes for our strategic objectives.

Evaluations

For the purposes of the plan, we used several periodic evaluations to help develop our strategic objectives. One of the most important of these is an evaluation of actions taken by federal agencies and the Congress in response to our recommendations. We actively monitor the status of open recommendations, report on them annually, and use the results of our analysis to determine the need for further work in an area. If, for example, an agency has not undertaken a recommended action that we consider still valid and worthwhile, we may decide to pursue further action with agency officials or undertake additional work.

We also have conducted and plan to conduct a number of evaluations to improve the timeliness and quality of our work. Currently, we review samples of completed assignments to determine their adherence to auditing and other quality assurance standards and use the results to correct any identified system weaknesses. Our Office of Inspector General evaluates the administration of GAO, including key performance measurements. The Inspector General evaluations are useful for ensuring that our operations are efficient and economical. We also use peer review evaluations of our financial audits, conducted every 3 years, to provide an independent assessment of our quality controls. In addition, we are pursuing how to expand the use of peer review in our nonfinancial work.

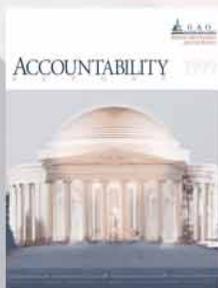
Annually, the House and Senate Appropriations Committees conduct hearings on our budget request. Additionally, the Senate Governmental Affairs and House Government Reform Committees hold oversight hearings on GAO. An independent evaluation of GAO, conducted by the National Academy of Public Administration in 1994, examined our roles, mission, and operations; the report's findings and recommendations were considered in developing this plan. Finally, as outlined in our discussion of goal 4, we plan to undertake evaluations of a number of our core and support processes to determine how to make them more efficient and effective.

CONSULTATIONS AND RELATIONSHIPS WITH OTHER AGENCIES

Because our mission, goals, and objectives are to support the Congress in its decisionmaking, we consulted with Members and their staff extensively on this strategic plan; and we will do so with every periodic update. We used the feedback from those consultations to make adjustments in our work that would better serve the Congress's institutional interests. While we will continue to respond to requests for work much as we do now, we expect that our plan will help us to be more efficient and effective in meeting those requests if we can anticipate congressional needs in advance and deploy our resources accordingly.

In a time of constrained resources, it is important that we find more efficient ways to enhance our working relations with other agencies that have similar missions and responsibilities. We already coordinate regularly with CBO and CRS and collaborate with them on selected projects; we will pursue additional opportunities to do so. We also maintain working relations with the Inspectors General, state audit agencies, national audit agencies, and other members of the accountability community, as well as with officials of OMB and other federal agencies. We will pursue ways to further these relationships, particularly with the Inspectors General, in order to avoid unnecessary duplication and to leverage the work of GAO and the Inspectors General to ensure more coordinated and comprehensive coverage. Because our mission also supports the broader public interest in government performance and accountability, we also turned to experts both within and outside of government for their views on our plans.

The full set of GAO's strategic planning, performance, and accountability documents are listed below. All of these documents, as well as other GAO reports and documents, may be obtained electronically on our website, www.gao.gov.



Accountability Report for fiscal year 1999

Strategic Plan, 2000-2005

Strategic Plan Executive Summary

Strategic Plan Framework

Strategic Objective Plans

Health Care Needs and Financing

Retirement Income Security

Social Safety Net

Education/Workforce Issues

Effective System of Justice

Community Investment

Natural Resources Use and Environmental Protection

Physical Infrastructure

Diffuse Security Threats

Military Capabilities and Readiness

Advancement of U.S. Interests

Global Market Forces

Fiscal Position of the Government

Government Financing and Accountability

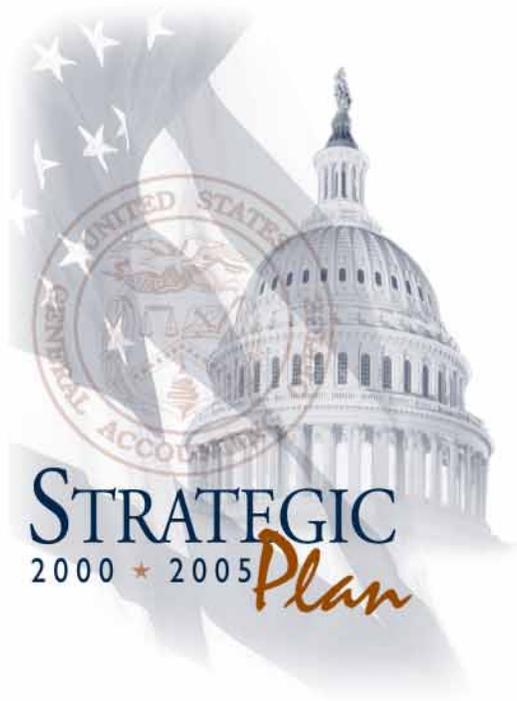
Governmentwide Management Reforms

Economy, Efficiency, and Effectiveness

Improvements in Federal Agencies

Maximize the Value of GAO

Performance Plan Fiscal Year 2001



STRATEGIC

2000 * 2005

Plan