United States General Accounting Office

GAO

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FISCAL YEAR 2003 BUDGET REQUEST

U.S. General Accounting Office

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

G A O
Accountability * Integrity * Reliability

GAO-02-519T

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the Subcommittee today as the Comptroller General of the United States and head of the U.S. General Accounting Office (GAO) to report on GAO's fiscal year 2001 performance and results, current challenges and future plans, and budget request for fiscal year 2003 to support the Congress and serve the American public.

Fiscal year 2001 was characterized by a series of unprecedented challenges for the federal government. After a lengthy waiting period to decide the results of the presidential election, the year began with a new administration and a new policy agenda. Within a short time, the leadership of the Senate changed as well. Although the year began with the nation at peace and with modest economic growth, by year's end, the nation was at war and the economy was in recession. Fortunately, the war is going well and the economy seems to be improving.

Against this backdrop, GAO served the Congress and the American people in a variety of ways. Early in the year, we conducted an extensive analysis of voter access and election reform. Our work was instrumental in enabling the House and Senate to develop election reform proposals and also yielded a series of reports and recommendations upon which the Departments of Defense and State have pledged to act to improve their voting assistance programs for Americans living abroad. In addition, our 2001 *Performance and Accountability Series and High-Risk Update* identified close to 100 major management challenges and program risks at 21 federal agencies and highlighted actions needed to address these serious problems. The series proved useful in carrying out our responsibility under the Presidential Transition Act to serve as a key source of information for the incoming administration and members of the 107th Congress. Among the issues we brought to the Congress's attention was the importance of addressing the future human capital needs of the federal government. This high-risk issue is being triggered by the impending retirements of the baby boom generation, the knowledge and skills gap engendered in part by our changing economy, and the advent of new technologies. Another new issue added to the high-risk list is the Postal Service's transformational efforts and long-term outlook.

Citizens benefited directly from GAO's work as federal agencies and the Congress took a wide range of actions based on our analyses and recommendations. The results ranged from improving services to low-income children and disabled veterans, to protecting consumers from insurance fraud, to identifying billions of dollars in savings and resources that could be reallocated. In total, GAO's efforts helped the Congress and government leaders to save $26.4 billion—a $69 return on every dollar invested in GAO. This is number one in the world for organizations like GAO.

Because of our past work and work in progress, we also were able to provide timely, rapid assistance on the issues raised by the tragic events of September 11. In numerous congressional hearings, GAO's witnesses offered suggestions for strengthening the security of the nation's airports and air traffic control system, for protecting critical information technology infrastructure, and for enhancing government's ability to analyze and manage security risks, including bioterrorism. We also were able to highlight a number of safeguards that could be used in structuring financial assistance to the airlines, several of which were incorporated in the

emergency $15 billion financial aid package that was enacted. In addition, soon after the release of our report recommending that the president appoint a single focal point within the Executive Office of the President to oversee the collective efforts of the many agencies involved in combating terrorism, the president announced the creation of the Office of Homeland Security. This office possesses many of the functions and responsibilities that we had advocated for improving interagency coordination.

Closer to home, 2001 was a significant year for GAO because it marked the 80th anniversary of our agency and 50th anniversary of our headquarters building. It also was a year marked by important changes designed to better position our agency for the future.

GAO'S MISSION IS TO SUPPORT THE CONGRESS in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

GAO is an independent, professional, nonpartisan agency in the legislative branch that is commonly referred to as the investigative arm of the Congress. Created in 1921 as a result of the Budget and Accounting Act, we have seen our role evolve over the decades as the Congress expanded our statutory authority and called on us with greater frequency for oversight, insight, and foresight in addressing the growing complexity of government and our society.

Today, we examine a broad range of federal activities and programs, publish thousands of reports and other documents annually, and provide a number of other services to the Congress. We also look at national and international trends and challenges to anticipate their implications for public policy. By making recommendations to improve the practices and operations of government agencies, we contribute not only to the increased effectiveness of federal spending, but also to the enhancement of the taxpayers' trust and confidence in their federal government.

For us, achieving our goals and objectives rests, for the most part, on providing professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information. We develop and present this information in a number of ways to support the Congress, including the following:

- evaluations of federal policies and the performance of agencies;
- oversight of government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigations to assess whether illegal or improper activities are occurring;
- analyses of the financing for government activities;
- constructive engagements in which we work proactively with agencies, when appropriate, to help guide their efforts toward positive results;
- legal opinions to determine whether agencies are in compliance with applicable laws and regulations;
- policy analyses to assess needed actions, develop options, and note the implications of possible actions; and

- additional assistance to the Congress in support of its oversight and decisionmaking responsibilities.

GAO'S STRATEGIC PLAN FOR SERVING THE CONGRESS: Our first strategic plan for the 21st century, covering fiscal years 2000–2005, was an important milestone, providing a framework for how we would support the Congress and the American people in the coming years. To develop this plan, we worked closely with committee leadership and individual members and their staff, as well as with agency inspectors general, our sister agencies, and numerous other interested organizations and parties. With the plan as our blueprint, we realigned GAO's structure and resources to better address our long-term goals and objectives for helping the Congress in its legislative, oversight, and investigative roles.

We have committed to updating our strategic plan every 2 years, coinciding with each new Congress, to make sure our efforts remain a vital and accurate reflection of the important issues facing the Congress and the nation. The world has changed considerably since our last plan. Two years ago, we were at peace and the economy was growing, with large budget surpluses projected into the future. Today, the country is at war, addressing threats both within and outside our borders. The economic outlook, uncertain before September 11, 2001, continues to be very difficult to predict but seems to be improving. This changing environment has enormous ramifications for national policymaking and, consequently, for GAO. Accordingly, we have prepared a draft strategic plan for serving the Congress during fiscal years 2002–2007, that we will be using to help solidify how we will support congressional needs. The draft is now being discussed with our congressional clients and being made widely available for comment to ensure that we meet the Congress's needs and address the most critical issues.

While the overall framework of our first strategic plan is still valid, we propose placing greater emphasis on the following areas in particular to reflect the altered agenda of policymakers:

- Recognizing that the Congress and the federal government will focus considerable effort and resources on homeland security, we are proposing to increase our emphasis on overseeing the efficiency and effectiveness of efforts across the federal government to protect against and respond to various forms of terrorism.

- In light of changing public expectations and needs, as well as fiscal pressures, we have redefined one of our strategic goals to focus on helping to transform the federal government's role to meet the challenges of the 21st century—what it does and how it does business.

- Because of the emerging serious, long-term, and far-reaching fiscal, demographic, technological, scientific, and other trends affecting our society and the economy, we anticipate assisting the Congress in addressing the effects of these trends on program priorities and budget decisions in both the short and long terms.

Our draft strategic plan takes into account the forces that are likely to shape American society, its place in the world, and the role of the federal government over the next 6 years. As illustrated by the strategic plan framework that follows, we have identified seven themes that have

implications for congressional decisionmaking and, therefore, underlie our strategic goals and objectives:

- **Security and preparedness:** the national and global response to terrorism and other threats to personal and national security;

- **Globalization:** the increasing interdependence of enterprises, economies, civil society, and national governments;

- **The changing economy**: the global shift to market-oriented, knowledge-based economies;

- **Demographics** of an aging and more diverse population;

- **Science and technology** and the opportunities and challenges created by the rapid changes in both of these areas;

- **Quality of life** for the nation, communities, families, and individuals;

- **Governance:** the diverse and evolving nature of governance structures and tools.

In light of recent trends and in keeping with our mission and responsibilities, we have identified four strategic goals and related objectives that will guide our work to serve the Congress in fiscal years 2002–2007. Our four strategic goals are as follows:

- 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;

- Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence;

- Help transform the federal government's role and how it does business to meet 21st century challenges;

- Maximize the value of GAO by being a model federal agency and a world-class professional services organization.

DISCUSSION DRAFT

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 ensure the accountability of the federal government for the benefit of the American people.

Themes

Security and Preparedness | Globalization | Changing Economy | Demographics | Science and Technology | Quality of Life | Governance

Goals / Objectives

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

- Health care needs and financing
- Education and protection of children
- Work opportunities and worker protection
- Retirement income security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence

- Diffuse security threats
- Military capabilities and readiness
- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges

- Roles in achieving federal objectives
- Delivery of public services
- Results-oriented, accountable, relevant government
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization

- Client and customer service
- Leadership and management focus
- Institutional knowledge and experience
- Process improvement
- Employer of choice

Core Values

Accountability | Integrity | Reliability

DISCUSSION DRAFT

Updated for fiscal 2002

BENEFITS RESULTING FROM GAO'S WORK

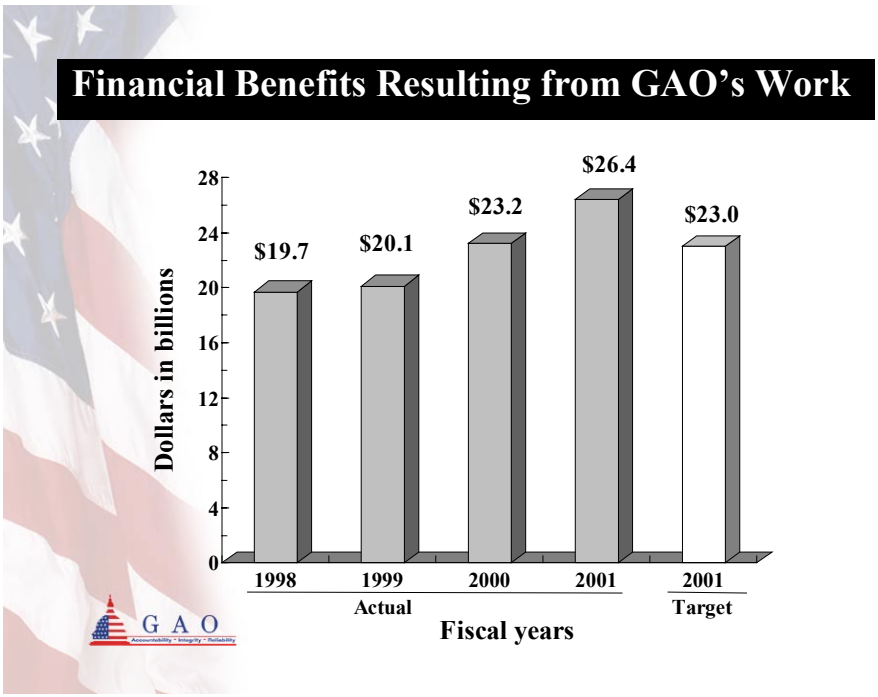
During fiscal year 2001, GAO recorded hundreds of accomplishments providing financial and other benefits that were achieved based on actions taken by the Congress and federal agencies, and we made numerous other contributions that provided information or recommendations aiding congressional decisionmaking or informing the public debate to a significant extent. Our contributions to legislative and executive actions included:

- strengthening national security and combating terrorism;
- advancing and protecting U.S. interests abroad;
- better targeting defense spending;
- helping the Congress reduce or better target budget authority;
- ensuring public health, safety, and welfare;
- protecting the environment;
- addressing national election issues;
- safeguarding government information systems;
- highlighting management challenges and risks for the new Congress and administration; and
- fostering more efficient and effective government services and operations.

Our recently issued performance and accountability report and a compact highlights version of it combine an assessment of our accomplishments in fiscal year 2001 with our plans for continued progress through fiscal year 2003. The following is a sampling of GAO's fiscal year 2001 accomplishments.

Financial Benefits Exceeding $26 Billion

For fiscal year 2001, GAO's findings and recommendations to improve government operations and reduce costs contributed to legislative and executive actions that yielded over $26.4 billion in measurable financial benefits. We achieve financial benefits when our findings and recommendations are used to make government services more efficient, improve the budgeting and spending of tax dollars, or strengthen the management of federal resources. As illustrated in the following graphic, the financial benefits achieved in fiscal year 2001 exceeded our $23 billion target for the year, as well as last year's results of $23.2 billion. These financial benefits are equivalent to about $69 for every $1 that was appropriated to GAO for fiscal year 2001.



As described below, our work on military base realignments and closures, restructuring the defense acquisition workforce, and recapturing unexpended balances in a major federal housing program, for instance, together yielded more than $12 billion of the year's financial benefits.

- **Contributing to the Military Base Closure and Realignment Process:** GAO has issued a number of reports since 1979 documenting excess infrastructure within the Department of Defense and supporting the need for a base closure and realignment process. After the Congress's authorization of such a process, GAO was legislatively required to provide the Congress with a series of reports and testimonies validating Defense's implementation. GAO monitored and assessed all phases of the decisionmaking process, including executive-level sessions, for compliance with congressional requirements. In addition, GAO provided staff to each commission established to recommend base closures and realignments for rounds held in 1991, 1993, and 1995. The staff helped shape the commissions' decisions through analysis of issues associated with closing or realigning specific installations. GAO estimated $6 billion in net savings in fiscal years 1999 and 2000 for the three base closure rounds.

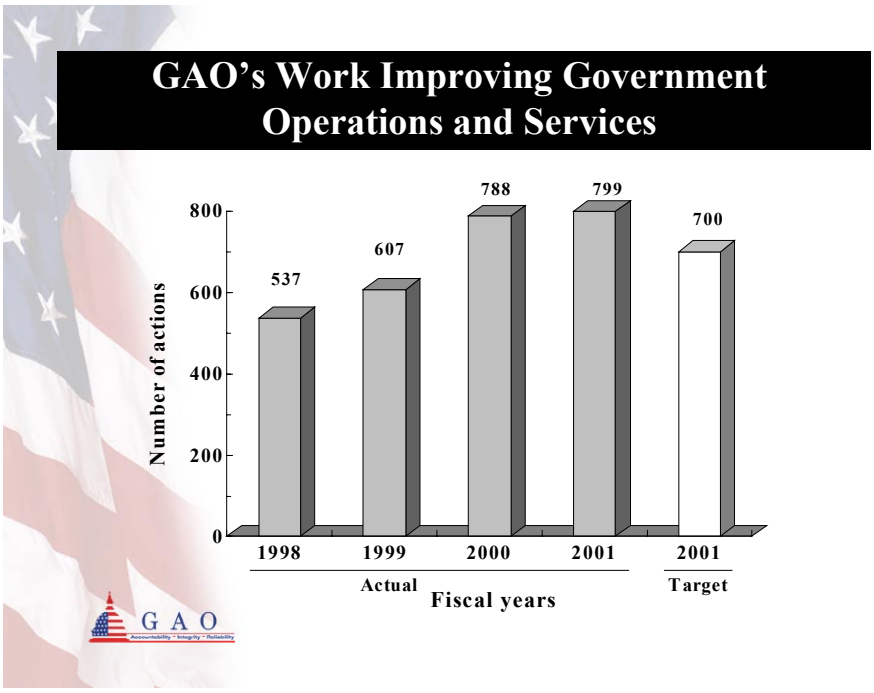
- **Cutting the Cost of Defense's Acquisition Infrastructure:** In a series of reports and comments on legislation for the House National Security Committee beginning in the mid-1990s, GAO examined numerous facets of the Department of Defense's acquisition infrastructure, of which its acquisition workforce is a major component. GAO's primary messages were that acquisition infrastructure reductions had not kept pace with reductions in other areas of Defense's operations and that the acquisition workforce needed to be consistently defined to effect appropriate reductions. Consequently, Defense redefined the workforce and the Congress directed the department to develop

specific plans for reducing its acquisition workforce. These workforce reductions totaled $3.32 billion and freed the funds for other high-priority items.

- **Recapturing Unexpended Balances in a Federal Housing and Urban Development Program:** GAO reviewed the unexpended balances in the Department of Housing and Urban Development's Section 8 program, in which the department contracts with property owners to provide housing for low-income families. GAO recommended that the department revise the procedures used to review unexpended balances and ensure that excess balances were recaptured from this program. Subsequently, the department recaptured nearly $3 billion of unexpended balances from prior years' budgets. According to the department's officials, the savings directly resulted from their implementation of GAO's recommendation.

Nearly 800 Actions Improving Government Agencies' Management or Performance

Not all actions on GAO's findings and recommendations produce measurable financial benefits. As illustrated below, in fiscal year 2001, we recorded 799 actions that the Congress or executive agencies had taken based on our recommendations to improve the government's accountability, operations, or services. Our audit and evaluation products issued in fiscal year 2001 contained over 1,560 new recommendations targeting improvements in the economy, efficiency, and effectiveness of federal operations and programs that could yield significant financial and other benefits in the future. At the end of the year, 79 percent of the recommendations we made 4 years ago had been implemented. We use a 4-year interval because our historical data show that agencies often need this time to complete action on our recommendations.



The actions reported for fiscal year 2001 include actions to combat terrorism, strengthen public safety and consumer protection, improve computer security controls, and establish more effective and efficient government operations. Following are a few examples of GAO's work that led to improvements in government management and performance:

- **Improving Department of Defense antiterrorism efforts**: At the request of the House Special Oversight Panel on Terrorism, GAO reviewed the Department of Defense's antiterrorism efforts at domestic installations. GAO identified shortcomings that needed to be addressed to provide installation commanders with the necessary information to effectively manage the risk of a terrorist attack and develop an effective antiterrorism program. The department agreed with GAO's findings and has begun implementing all of the GAO-recommended corrective actions. GAO also worked with the department to update and improve antiterrorism standards and the secure communication capabilities between some navy facilities. This work provided a foundation for developing a risk management approach that can be applied to other government operations. GAO presented information about this management approach to various congressional committees and other organizations.

- **Strengthening nuclear nonproliferation and safety efforts**: Preventing the spread of weapons of mass destruction and ensuring the safety of Soviet-designed reactors are important national security concerns. GAO's work in this area continues to have major impacts, including the implementation of GAO's recommendations designed to strengthen the Department of Energy's program to secure nuclear materials in Russia and sustain the improvements. In addition, Energy has implemented GAO's recommendations to fund only those safety projects that directly improve the operation of Soviet-designed reactors and to focus its Nuclear Cities Initiative funding on only those projects designed to employ Russian weapons scientists. These changes will result in better targeting of limited resources by eliminating projects that did not meet mission goals.

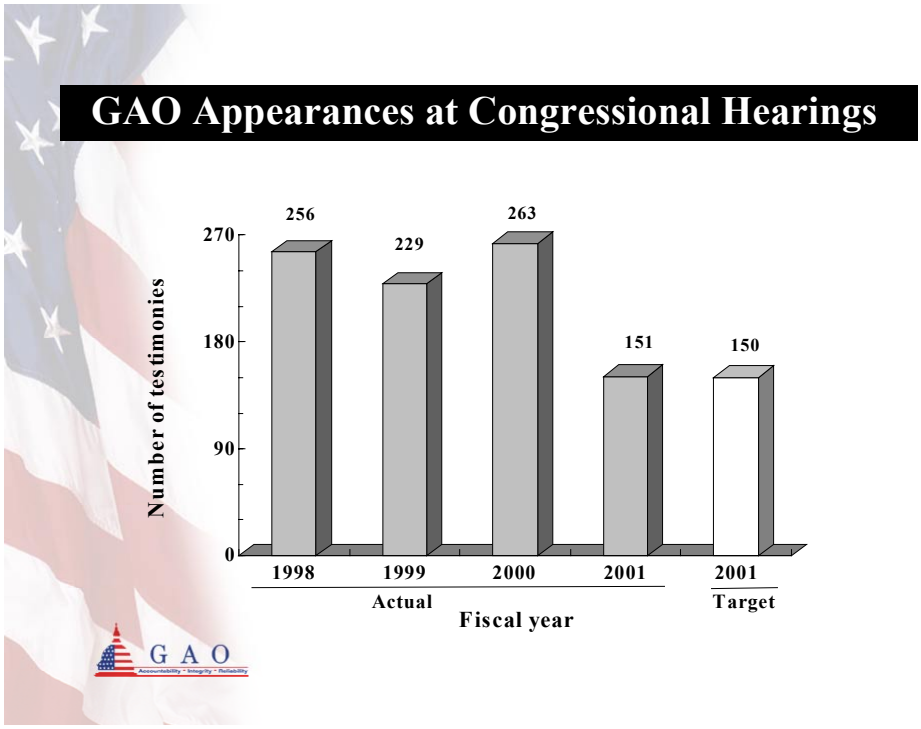
- **Improving food safety**: Over the years, public awareness of foodborne illness outbreaks has heightened concerns about the effectiveness of the federal system for ensuring the safety of the nation's food supply. GAO has served as an honest broker of information on the shortcomings of the federal food safety system. In particular, GAO's work has been used extensively in congressional deliberations and by federal program mangers to improve the food safety system. For example, GAO's work on seafood safety identified several important weaknesses that compromised the overall effectiveness of the Food and Drug Administration's newly implemented science-based system for seafood. In response, the agency made improvements in 2001 to the science-based system. GAO's work identifying shortcomings in shellfish safety was instrumental in the 2001 adoption of the first national plan to reduce pathogenic bacteria in oysters.

- **Creating a focal point for combating terrorism:** GAO identified fragmentation among federal efforts to combat terrorism, as several key interagency functions were spread across various agencies and sometimes overlapped. During the summer of 2001, GAO recommended that the president appoint a single focal point within the Executive Office

of the President to oversee the collective efforts of the many agencies involved. Soon after the release of GAO's September 2001 report, the president announced the creation of the Office of Homeland Security within the Executive Office of the President. The executive order establishing the office provided it with many of the functions and responsibilities that GAO had advocated for improving interagency coordination.

Over 150 Testimonies Contributing to Public Debate on National Issues

GAO officials were called to testify 151 times before committees of the House and Senate in fiscal year 2001, as illustrated in the following graphic. In addition, we provided nine statements for the record. Our number of appearances for fiscal year 2001 was lower than for previous years because external factors such as the extended presidential transition, a new Congress and administration both beginning work, and the unprecedented mid-session shift in control of the Senate reduced the number of congressional hearings and, therefore, occasions for GAO to testify. Nonetheless, we testified on a broad range of subjects, including combating terrorism, energy prices, the federal budget, and September 11 issues.



MAXIMIZING GAO'S EFFECTIVENESS, RESPONSIVENESS, AND VALUE

In addition to the financial and other benefits resulting from our work over the past year, we continued to make great progress toward achieving our fourth strategic goal of maximizing the value of GAO by being a model organization for the federal government. We strive to ensure that GAO's operations reflect the highest standards. As discussed in the following sections, we expanded congressional outreach efforts to ensure our responsiveness to

client needs. We also implemented numerous human capital initiatives following best practices, to ensure that GAO has the appropriate mix of staff and skills needed to address issues of interest to the Congress. In other areas, such as information technology, financial management, and security and safety, our operations also reflect prevailing best practices. Following are some examples of the key efforts we have taken to strengthen GAO and maximize our productivity.

Cultivating and Fostering Effective Congressional and Agency Relations

In fiscal year 2001, we continued our efforts to strengthen relationships and improve communications with our congressional clients, federal agencies, and other key stakeholders. For example, we implemented a set of congressional protocols—policies and procedures—to guide our interactions with and ensure our accountability to the Congress. In addition, we drafted similar protocols to guide our interactions with federal agencies, foreign ministries and governments, and international organizations, and we plan to pilot the federal agencies and international protocols in fiscal year 2002.

We also began efforts to revamp our communications strategy to better meet the needs of our clients. In fiscal year 2001, we developed a new reporting product line entitled *Highlights*—a one-page summary that provides the key findings and recommendations from a GAO engagement. We plan to examine other means during fiscal year 2002 to better communicate the results of our work.

During fiscal year 2001, we also expanded and improved access to GAO information for our congressional clients and other stakeholders. We implemented a Web-accessible active assignment list for congressional clients, established a transition Web site to assist the new administration in learning about GAO's work and to facilitate key contacts, enhanced the search capability for GAO products on our external Web site, and expanded electronic access to GAO reports issued since 1985.

We also worked with the Office of Management and Budget (OMB) and Cabinet-level officials to assist in the congressional and presidential transitions and to provide new legislators and officials with information about the challenges facing them. These and other constructive engagement efforts are helping focus increased attention on major management challenges and high-risk issues, leading to good government. For example, the president's recently issued management agenda for reforming the federal government mirrors many of the management challenges and program risks that GAO reported on in its 2001 *Performance and Accountability Series and High-Risk Update*, including a governmentwide initiative to focus on strategic management of human capital. We also continue our efforts to work across boundaries and encourage knowledge sharing by networking through various boards and panels, including the Comptroller General's Advisory Board, the Educators' Advisory Board, the Accountability Advisory Board, and other global and domestic accountability organizations.

We continued to look for more efficient ways to obtain systematic feedback from congressional members and key staff. In fiscal year 2001, we developed a Web-based process to more effectively collect feedback from congressional clients on our reports and products. This new system, which we plan to pilot in fiscal year 2002 and implement in fiscal year 2003, uses E-mail

and a Web site to obtain client feedback on (1) product timeliness and (2) communications and professional conduct during an engagement for a sample of recently issued products.

In addition to working with accountability agencies and organizations in the United States, we continued to work with our counterparts in other countries and with international organizations to strengthen accountability around the world. We are working with the International Organization of Supreme Audit Institutions to help combat government-related corruption around the world. For example, we plan to support a multilateral training effort with Russia, other former Eastern bloc countries, and selected South and Latin American countries on audit standards, policies, and methodologies. In addition, we are working to provide bilateral technical assistance with the Russian Chamber of Accounts to collaboratively undertake a joint audit of the program to dispose of Russia's chemical weapons.

Implementing a Model Strategic and Annual Planning and Reporting Process

GAO's strategic plan continues to be a model for aligning our organization and resources, and for ensuring that we remain responsive to the needs of the Congress. Our strategic planning process provides for updates every 2 years with each new Congress, ongoing analysis of emerging conditions and trends, extensive consultation with congressional clients and outside experts, and assessments of internal capacities and needs. In addition, the plan has become the basis for allocating resources and managing organizational performance.

Our strategic plan also has helped serve as a model in providing clearer accountability to the Congress and the American people. In fiscal year 2001, we published our first Performance and Accountability Report, combining information on performance in achieving the plan's goals and objectives with financial information on the costs of achieving results. The report also included GAO's performance plan for fiscal year 2002, linking planned activities and performance with the resources requested in our annual appropriation.

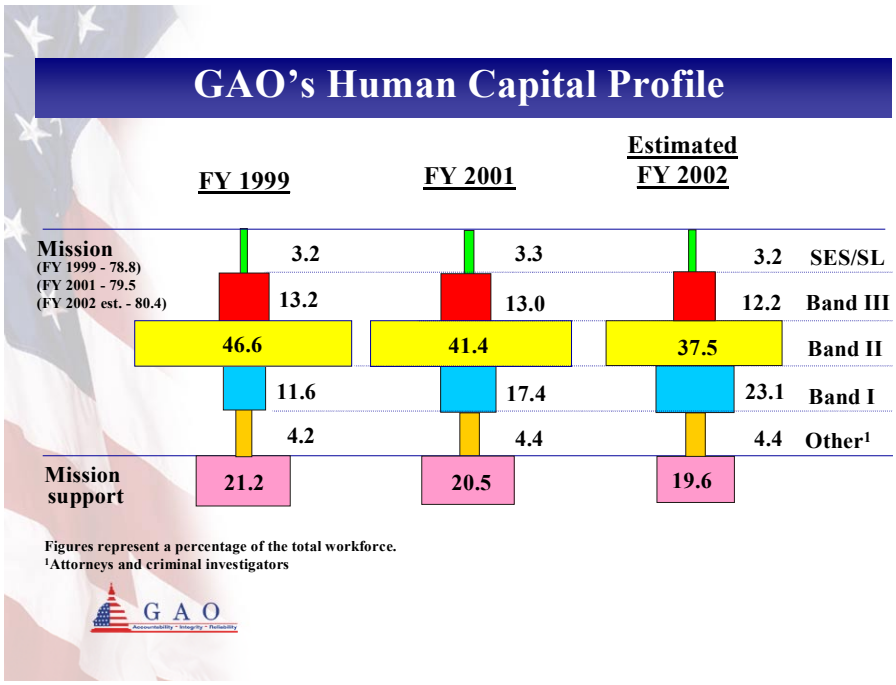
Aligning Human Capital Policies and Practices to Support GAO's Mission

Over the past 3 years, we have made great progress toward addressing a number of human capital issues that GAO was facing when I arrived at the beginning of fiscal year 1999. At the time, our workforce was sparse at the entry level. We faced major succession-planning issues with a significant percentage of our senior managers and evaluator- and related workforce becoming eligible to retire by the end of fiscal year 2004. The development and training of our senior executives in key competencies, such as leadership, communications, project supervision and conflict resolution, had been at drastically reduced levels since 1993. In addition, new technical skills were unavailable in needed quantities within the agency, especially actuarial and information technology skills, to effectively assist the Congress in meeting its oversight responsibilities.

We have confronted these issues through a number of strategically planned human capital initiatives that have begun to yield results. For example, we have

- intensified our recruiting efforts targeted at the entry level and areas requiring specialized skills and expertise,
- enhanced our recruitment and college relations programs,
- implemented our early-out authority, recently acquired through GAO's human capital legislation,
- enhanced our training programs,
- revamped and modernized the performance appraisal system for analysts,
- enhanced performance rewards and employment incentives to attract and retain high quality staff with specialized skills,
- implemented a succession-planning program,
- conducted an agencywide assessment and inventory of our workforce's knowledge and skills,
- established an office of opportunity and inclusiveness, whose head reports directly to the Comptroller General, to oversee GAO's efforts to foster a work environment that ensures that all members of its diverse workforce are treated fairly and their differences are respected, and
- completed an organizational realignment and resource reallocation.

As illustrated in the following graphic, by the end of fiscal year 2002, we will almost double the proportion of our workforce at the entry-level (Band I) as compared with fiscal year 1999. Also, the proportion of our workforce at the mid-level (Band II) will have decreased by about 9 percent. In addition, we are steadily increasing the proportion of our staff performing direct mission work.



We also have taken steps to better link compensation, performance, and results in achieving our strategic plan and goals for serving the Congress. In fiscal year 2001, we developed a new performance appraisal system for our analyst and specialist staff that links performance to established competencies and results; this system is being implemented in fiscal year 2002. We also have begun creating similar performance systems for our attorneys and mission support staff. Also during fiscal year 2002, we plan to assess our pay systems and structures to identify ways to increase the percentage of our staff's compensation that is tied more directly to performance and results. Currently, levels of annual compensation increases are automatic, as is required by law.

Developing Efficient and Responsive Business Processes

We completed a number of major initiatives in fiscal year 2001 directed at enhancing our business operations and processes. For example, we implemented a major organizational realignment to increase our ability to achieve the goals and objectives of our strategic plan. The realignment provides for a clearer and more transparent delineation of responsibilities for achieving our strategic goals and meeting the needs of the Congress. We also centralized certain administrative support services to more efficiently provide human capital, budget and financial management, information systems desk-side support, and other services to agency staff. The centralization will allow us to devote more resources to GAO's mission work and to obtain economies of scale by providing central and shared services.

To facilitate our staff's efforts in conducting engagements, we developed a comprehensive desktop tool—an Electronic Assistance Guide for Leading Engagements (EAGLE) that provides immediate access to GAO's most current policies and procedures and eliminates the need to print and distribute documents. We also developed a new engagement database to track congressional requests, monitor their status, and provide information on engagement reviews and results. In addition, we are reviewing our job management processes to identify opportunities for improvement based on best practices of other organizations.

Building an Integrated and Reliable Information Technology Infrastructure

Information technology is critical to our productivity, success, and viability. As such, we have been working on a number of initiatives to guide and protect our investments in information technology. In fiscal year 2001, we

- completed a comprehensive review of our information technology;
- made substantial progress in implementing an enterprise architecture program—a blueprint for operational and technological change;
- expanded information systems security efforts to protect our information assets;
- developed an information technology investment process guide to ensure that our investments are clearly linked to and support our strategic objectives and business plans;
- prepared an information technology plan for fiscal years 2001–2004 that identifies major initiatives and investments that directly support our strategic plan; and

- rechartered and reestablished our Information Technology Investment Committee to provide high-level vision, review, and approval of program initiatives to transition from the current technological environment to the target one.

We also undertook a wide range of other efforts during fiscal year 2001 to improve efficiency by providing new enabling technology to staff and improving access to GAO resources from any place at any time. These efforts have included piloting notebook computers; expanding the availability of cellular phones to GAO's senior management; and testing new, emerging technologies such as personal digital assistants and video broadcasts to the desktop. In addition, we upgraded remote access capability, improving the speed and reliability of dial-up connections to GAO's information technology facilities; completed communications upgrades to the field to provide high-speed, reliable connectivity to the GAO network; replaced aging videoconferencing equipment with current technology; and began planning communications upgrades to support evolving video technologies.

FISCAL YEAR 2002 PLANS AND FUTURE CHALLENGES

During fiscal year 2002, we will continue focusing our work on issues of national importance facing the Congress, including homeland and national security, Social Security solvency, education, economic development, Medicare reform, international affairs, government management reforms, and government computer security. Other issues about which we will contribute to the national debate include the concerns emanating from the sudden collapse of Enron and other corporate failures: the determination of what systemic reforms are needed regarding accounting and auditing issues, regulatory and oversight matters, pensions, executive pay issues, and corporate governance.

We also will be working with congressional budget committees and others on reviewing, reassessing, and reprioritizing what the federal government is doing in light of the nation's long-range fiscal challenges. This effort will involve raising key questions about government programs, tax incentives, regulations, and policies from the perspective of what works and what does not, as well as examining selected budget and performance reporting issues. Under a recent mandate, we have begun pilot testing several approaches for providing technology assessment assistance to the Congress. In addition, as noted earlier, we plan to issue two new sets of protocols governing our relations with executive branch departments and agencies, and with international organizations.

Internally, we must continue our efforts and initiatives to address human capital and information technology challenges at GAO. While we have made good progress in addressing many of these issues, we continue to view them as significant challenges. We also are reassessing our security and safety issues, in light of the far-reaching effects of the September 11 terrorist attacks.

After a decade of downsizing and curtailed investments in human capital, it became increasingly clear that GAO needed new human capital strategies if we were to meet the current and emerging needs of the Congress and the nation's citizens. The initiatives we have in progress or plan to begin in the coming months should build on the progress we have made during the past 2 years,

yielding further improvements in how we recruit, develop, evaluate, compensate, and retain our staff. We will continue to develop a human capital strategic plan that both supports our strategic goals and ensures that diversity, skills, leadership, and retention issues are addressed.

As with human capital, information technology investments at GAO declined significantly during the mid- to late 1990s as a result of mandated spending reductions. Consequently, information technology became a management challenge as we entered the 21st century. We have made progress in building an integrated and reliable information technology infrastructure that supports the achievement of our goals and objectives, but we must sustain these efforts and begin others to ensure that we can continue to provide quality, timely, efficient, and effective services to the Congress and the public. Our information technology plan for fiscal years 2001 through 2004 is providing a foundation for initiatives and investments, and we are expanding and accelerating our efforts to protect our agency's information assets.

The safety and security of GAO's people, information, and assets are necessarily a top priority. In the aftermath of the September 11 terrorist attacks and the subsequent anthrax incidents, we designated safety and security a management challenge for our agency. We are conducting threat assessments and a comprehensive evaluation of security that we plan to complete this year. Guided by these assessments, we will develop an implementation plan to strengthen security and safety within GAO. We also plan to review and update our emergency preparedness and response plan and to develop a continuity of operations plan so that we are prepared for, can respond to, and will recover from any major threat or crisis.

GAO'S FY 2003 BUDGET REQUEST TO SUPPORT THE CONGRESS

To support the Congress as outlined in our strategic plan and continue our efforts to strengthen and maximize the productivity of GAO, we have requested a budget of $458 million for fiscal year 2003. This funding level will allow us to maintain current operations; continue initiatives to enhance our human capital and supporting business processes; ensure the safety and security of our staff, information, and other resources; and support our authorized level of 3,269 full-time equivalent (FTE) personnel.

Almost 80 percent of our request is for employee compensation and benefits. The next largest proportion of the budget—about $50 million—is for contract services supporting both GAO's mission work and administrative operations, including information technology, training, and building maintenance and operations services. About $12 million is for travel and transportation, critical components to accomplishing GAO's mission to follow the federal dollar and ensuring the quality of our work. The remaining funds are for office equipment and space rentals; telephone, videoconferencing, and data communications services; and other operating expenses, including supplies and materials, printing and reproduction, and furniture and equipment.

During fiscal year 2003, we plan to increase our investments in maximizing the productivity of our workforce by continuing to address two key management challenges: human capital and information technology. On the human capital front, we will target increased resources to continue initiatives begun in fiscal year 2000 to address skill gaps, maximize staff productivity, and increase staff effectiveness; update our training curriculum to address organizational and

technical needs; and train new staff. We also will continue to focus our hiring efforts in fiscal year 2003 on recruiting talented entry-level staff. In addition, to ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources to our employee benefits and training programs. For example, we will continue investments in our student loan repayment program, which we are planning to begin offering in fiscal year 2002, and mass transit subsidy benefits to enhance our recruitment and retention incentives. In addition, major efforts are underway to implement our new performance appraisal system for our analyst staff and to develop new performance systems for our legal and mission support staff.

On the information technology front, we plan to continue initiatives designed to increase employees' productivity, facilitate knowledge-sharing, maximize the use of technology, and enhance employee tools available at the desktop. We also will devote resources to reengineering the information technology systems that support job management processes, such as our engagement tracking system, and to implementing tools that will ensure a secure network operating environment.

Finally, we will make the investments necessary to enhance the safety and security of our people, information, facilities, and other assets.

Following are additional details supporting the funding increase we have requested for fiscal year 2003 to cover mandatory and uncontrollable costs and a few modest, but important, program changes.

Mandatory and Uncontrollable Costs

We are requesting $19,935,000 to cover mandatory pay and benefits costs resulting primarily from federal cost-of-living and locality pay adjustments, annualization of prior year salary increases, increased participation in the Federal Employees Retirement System, and an increase in the estimated number of retirees. Also included are funds needed to cover performance-based promotions and merit pay increases. Most of these increases are automatic, as required by current law. We plan to review our pay systems and structures during fiscal year 2002 to identify ways to increase the percentage of our employees' compensation that is tied directly to performance contributions and results.

We also are requesting $2,090,000 for uncontrollable inflationary increases in travel and per diem, lodging, postage, printing, supplies, contracts, and other essential mission support services, based on OMB's 2-percent inflation index and other factors.

Program Changes

A net increase of $3,832,000 is being requested to fund essential agency programs. This increase includes an overall reduction of $168,000 in ongoing or recurring programs and a one-time, nonrecurring request for $4 million to fund critical security and safety enhancements, as illustrated in the following table and accompanying narrative.

Requested Program Changes (dollars in thousands)

Budget category	FY 2003 change	
Recurring: Recruitment, retention, and recognition benefits:		
• Education loan reimbursement	$810	
• Transit subsidy	335	
• Performance-based rewards and recognition	114	
Subtotal		$1,259
Training		434
Printing and publishing services		(360)
Contract services		(2,000)
Offsetting collections		499
Subtotal		$ (168)
Non-recurring: Security and safety enhancements		$4,000
Net program changes		**$3,832**

Recruitment, retention, and performance recognition benefits: $1,259,000 is requested to maintain and expand current recruitment, retention, and performance-based recognition programs to levels comparable to those of the executive branch and to help ensure our ability to attract, retain, and recognize high-caliber staff. This requested increase includes:

- $810,000 to fund the second year of benefits under our education loan repayment program, which increases total funding for the program to $1.2 million. This funding level will allow GAO to meet current program commitments, offer benefits to new recruits, and provide more retention benefits to current staff in critical skills areas.

- $335,000 to fund the annualized cost of benefits under the transit subsidy program, which was increased from $65 to $100 a month during fiscal year 2002, and to extend the program to new hires. This increase will raise the program's funding level to $1.5 million.

- $114,000 for performance-based reward and recognition programs to ensure comparability with public- and private-sector entities. This represent a 4-percent increase in these programs, commensurate with the average mandatory compensation increases, and will raise the program funding level to $2.7 million, which is less than 1 percent of our total compensation costs.

Training: We are requesting $434,000 to implement a new core training curriculum and expand essential training opportunities to staff at all levels to ensure staff competency in skill areas critical to achieving our strategic plan.

Printing and publishing services: During fiscal year 2002, we will be implementing changes in the distribution and retention of GAO reports and products. We estimate savings in fiscal year 2003 of $360,000 in printing, publishing, and related costs and plan to use these savings to offset other program needs.

Contract services: During fiscal year 2002, we will be contracting for expertise not readily available within the agency to respond to congressional requests related to security and terrorism issues, assess our internal security and information technology requirements, and conduct a congressionally mandated technology assessment pilot. As these contract requirements are nonrecurring, we plan to reduce contract services in fiscal year 2003 by $2 million and to use these savings to offset other program needs.

Security and safety enhancements: We are seeking nonrecurring funds of $4 million in fiscal year 2003 to implement critical security and safety enhancements identified through assessments conducted of our security and potential threats following the September 11 attacks and subsequent anthrax incidents. This funding will enable us to implement some of the recommendations made in these assessments, such as enhancing our building access and perimeter security, expanding protection against chemical and biological intrusions, and increasing the number of background checks and security clearances for GAO and contractor staff. Implementing these measures will help ensure that we are prepared for, can respond to, and will reduce our vulnerability to major threats or crises in the future.

Offsetting collections: We are requesting authority to increase the use of revenue we receive from rental income and audit work from $2,501,000 to $3,000,000, to continue renovation of the GAO building.

Finally, if a legislative proposal from the administration to transfer accountability for retirement costs is enacted, we are also requesting budget authority of $21,283,000 to cover our related costs for fiscal year 2003. The president has proposed a governmentwide initiative to transfer accountability for accruing retirement and post-retirement health benefits costs from the Office of Personnel Management to individual agencies. This initiative represents a shift in the accounting treatment of these costs, which are presently a component of mandatory costs and in the future will be included in discretionary budget authority. Implementation of this proposal is contingent upon enactment by the Congress of authorizing language submitted by the administration.

CONCLUDING REMARKS

As a result of the support and resources that we have received from this Subcommittee and the Congress over the past several years, we have been able to make a difference in government, not only in terms of the financial benefits and improvements in federal programs and operations that have resulted from our work, but also in strengthening and increasing the productivity of GAO, and making a real difference for our country and its citizens. Our budget request for fiscal year 2003 is modest, but it is essential to sustaining our current operations, continuing key human capital and information technology initiatives, and ensuring the safety and

security of our most valuable resource—our people. We seek your continued support so that we will be able to effectively and efficiently conduct our work on behalf of the Congress and the American people.

As the Comptroller General of the United States on GAO's 80th anniversary, I take great pride in the many years of service GAO has provided the Congress and the nation. Building on this legacy, we at GAO look forward to continuing to help the Congress and the nation meet the current and emerging challenges of the 21st century.