GAO

Performance & Accountability Report

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

SERVING THE CONGRESS AND THE NATION

Fiscal Year 2004

Accountability ★ Integrity ★ Reliability

Serving the Congress

GAO's Mission

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

Scope of Work

GAO performs a range of oversight-, insight-, and foresight-related engagements, a vast majority of which are conducted in response to congressional mandates or requests. GAO's engagements include evaluations of federal programs; performance, financial, and management audits; policy analyses; legal opinions; bid protest adjudications; and investigations.

Core Values

ACCOUNTABILITY

We help the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's analysts, auditors, lawyers, economists, information technology specialists, investigators, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people.

INTEGRITY

We set high standards for ourselves in the conduct of GAO's work. Our agency takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all activities. Integrity is the foundation of reputation, and the GAO approach to work ensures both.

RELIABILITY

We at GAO want our work to be viewed by the Congress and the American public as reliable. We produce high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

Source: GAO.

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Abbreviations

AIDS	acquired immune deficiency syndrome
AOC	Office of the Architect of the Capitol
BLS	Bureau of Labor Statistics
CAO	Chief Administrative Officer and Chief Administrative Office
CBP	U.S. Customs and Border Protection
CIO	Chief Information Officer
CMS	Centers for Medicare & Medicaid Services
CPI	Consumer Price Index
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOL	Department of Labor
EAGLE	Electronic Assistance Guide for Leading Engagements
EPA	Environmental Protection Agency
FCC	Federal Communications Commission
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEHBP	Federal Employees Health Benefit Program
FEGLIP	Federal Employees Group Life Insurance Program
FERS	Federal Employees Retirement System
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FTE	full-time equivalent
GAAP	Generally Accepted Accounting Principles
GAGAS	generally accepted government auditing standards
GAO	Government Accountability Office
GSE	government-sponsored enterprise
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Office of Inspector General
INTOSAI	International Organization of Supreme Audit Institutions
IRS	Internal Revenue Service
IT	information technology
NASA	National Aeronautics and Space Administration
NFC	National Finance Center
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PART	Program Assessment Rating Tool
PBGC	Pension Benefit Guaranty Corporation
PDP	Professional Development Program
QCI	Quality and Continuous Improvement
SGA	substantial gainful activity
SSA	Social Security Administration
TRICARE	DOD's managed health care program
UAV	unmanned aerial vehicles
USACE	U.S. Army Corps of Engineers
USDA	U.S. Department of Agriculture
US-VISIT	United States Visitor and Immigrant Status Indicator Technology
VA	Department of Veterans Affairs
VETS	Veterans Employment and Training Service

How to Use This Report

This report describes the U.S. Government Accountability Office's (GAO) performance measures, results, and accountability processes for fiscal year 2004. In assessing our performance, we are comparing actual results against targets and goals set in our annual performance plan, which were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our Web site at www.gao.gov/sp.html.

This report has an introduction and 4 major parts:

■ Introduction

Look here for the letter from the Comptroller General and a statement attesting to the completeness and accuracy of the data in this report. Also, look here for a discussion of our mission, organizational structure, strategic planning process, and process for assessing our performance.

■ Management's Discussion and Analysis

Look here for our agencywide performance results and use of resources in fiscal year 2004. Look here also for information on the strategies we use to achieve our goals and the management challenges and external factors that affect our performance.

■ Performance Information

Look here for details on our performance results by strategic goal in fiscal year 2004 and the targets we are aiming for in fiscal year 2005. Look here also for an explanation of how we ensure the completeness and reliability of the performance data used in this report.

■ Financial Information

Look here for details on our finances in fiscal year 2004, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and audit advisory committee. Look here also for information on our internal controls and for an explanation of what kind of information each of our financial statements conveys.

■ Appendixes

Look here for detailed write-ups about our most significant accomplishments and contributions recorded in fiscal year 2004, for our Inspector General's assessment of our agency's management challenges, and for information on certain human capital management flexibilities and on information security reform measures.

INTRODUCTION

Source: See Image Sources.

Source: GAO.

November 15, 2004

As I reflect on GAO's work during the past fiscal year, I am pleased with and proud of our results in serving the Congress and the American people, which we convey in this fiscal year 2004 performance and accountability report. Our business involves helping to improve performance and ensure accountability in connection with a broad range of federal programs, policies, and activities. Simply put, we try to help improve the way the federal government works for the benefit of all of our nation's citizens. To determine our success, we set performance targets and follow financial management practices that help ensure that we are making the best use of the federal funds invested in us.

In short, fiscal year 2004 was an exceptional year for GAO. For example, we received a clean opinion from independent auditors on our financial statements and met or exceeded all but one of our key performance measures. In addition, we exceeded or equaled our all-time record for six of our seven key performance indicators while continuing to improve our client and employee feedback survey results. I am especially happy to report that we documented $44 billion in financial benefits—a return of $95 for every dollar spent, or $13.7 million per employee. We also recorded over 1,000 nonfinancial benefits that helped to shape important legislation, such as the Social Security Protection Act, and increase the efficiency of various federal programs, thus improving the lives of millions of Americans. In addition, the rate at which our recommendations had been implemented by the Congress or federal agencies rose to 83 percent and we made over 2,700 new recommendations in fiscal year 2004. We just missed our timeliness goal by delivering 97 percent of our products to the Congress when promised. This report demonstrates our many contributions in fiscal year

2004 toward improving the government. I am confident that the performance data and financial information in this report are complete and reliable, as noted in GAO's statement of assurance, which appears just after this letter.

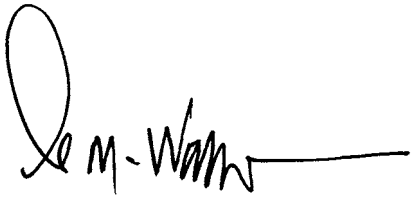
Not surprisingly, during fiscal year 2004, our work covered a number of major topics of concern to the nation and, in some cases, the world. For example, we reported on the reconstruction efforts in Afghanistan and Iraq; highlighted important concerns about pay and other support for the National Guard and Reserve forces; reported on numerous topics related to homeland security, including improving mission effectiveness at the Department of Homeland Security, curbing the use of counterfeit identity documents, and making our nation's transportation system safer from potential acts of terrorism; continued to raise concerns and propose a strategy for dealing with the nation's long-term fiscal imbalance; summarized key health care statistics and published a proposed framework for related reforms; and provided staff support to the 9/11 Commission. We also testified more than 200 times before the Congress, contributing to the public debate on a variety of topics in the international area as well as on homeland security and other domestic issues. For example, we testified on improvements needed in our overseas visa process, security weaknesses on our railways and at our ports, and issues related to the 9/11 Commission's recommendations. We also testified on health care issues such as strengthening the Medicare program and increasing the public's awareness of risks associated with Internet pharmacies. In addition, we spoke about our work examining the risks associated with private pension plans and various revenue-related issues, such as abusive tax shelters.

The American people benefited this year as federal agencies took a wide range of actions based on our analyses and recommendations, while our efforts also heightened the visibility of issues needing attention. For example, adoption of our recommendations will improve oversight of nursing home fire safety, increase security measures at chemical facilities nationwide, strengthen tools to fight terrorism, and help curb the use of abusive tax shelters and schemes. It is important for our nation and citizens not only that these issues are made visible, but also that the nation's leaders address them. We feel fortunate and honored that, in the vast majority of cases, our clients and federal agencies listen to what we have to say and act on our recommendations. Furthermore, virtually all of our reports are published and available on our Web site (www.gao.gov), keeping us accountable to the American people and the world at large.

In fiscal year 2004, we also continued to take steps internally to be a model federal agency and a world-class professional services organization. These steps helped us to address our three management challenges—human capital, physical security, and information security. Through the GAO Human Capital Reform Act of 2004, the Congress granted GAO several additional human capital flexibilities that will allow us to,

among other things, move to an even more performance-oriented and market-based compensation system. Our most valuable asset continues to be our people, and the flexibilities granted in this act will help us to continue to modernize our people-related policies and strategies, which, in turn, will help to ensure that we are well equipped to serve the Congress and the American people in the years to come. One other change made in the act was to modify our name from the General Accounting Office to the Government Accountability Office to more accurately reflect the nature of our work. Despite this change, we remain GAO and all that it stands for—accountability, integrity, and reliability.

In summary, fiscal year 2004 was a very successful year for us. I believe that those who read this report will agree that the taxpayers received an excellent return on their investment in GAO.



David M. Walker
Comptroller General
of the United States

Financial Reporting Assurance Statements

November 15, 2004

We, as GAO's executive committee, are responsible for preparing and presenting the financial statements and other information included in this Performance and Accountability Report. The financial statements included herein are presented in conformity with U.S. generally accepted accounting principles; incorporate management's reasonable estimates and judgments, where applicable; and contain appropriate and adequate disclosures. Based on our knowledge, the financial statements are presented fairly in all material respects, and other financial information included in this report is consistent with the financial statements.

On the basis of GAO's comprehensive management control program, we are pleased to certify, with reasonable assurance, that

- Our financial reporting is reliable—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- GAO is in compliance with all applicable laws and regulations—transactions are executed in accordance with (1) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements and (2) any other laws, regulations, and governmentwide policies applicable to GAO.
- Our performance reporting is reliable—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with the criteria stated by GAO's management.

We also believe these same systems of accounting and internal controls provide reasonable assurance that GAO is in compliance with the spirit of 31 U.S.C. 3512 (commonly referred to as the Federal Managers' Financial Integrity Act). This is an objective that we set for ourselves even though, as part of the legislative branch of the federal government, we are not technically required to do so.

David M. Walker
Comptroller General
of the United States

Gene L. Dodaro
Chief Operating Officer

Sallyanne Harper
Chief Financial Officer

Anthony H. Gamboa
General Counsel

About GAO

We exist 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

Source: See Image Sources.

Mission

GAO is an independent, nonpartisan, professional services agency in the legislative branch of the federal government. Commonly known as the "investigative arm of the Congress" or the "congressional watchdog," we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better.

We accomplish our mission by providing reliable information and informed analysis while making recommendations for improvement, when appropriate, on a wide variety of issues. The vast majority of our work is undertaken in response to congressional requests. However, as authorized by our enabling legislation, we also independently allocate a limited portion of our resources for research and development that enables us to (1) invest in issues the Congress may need to address in the future and (2) provide products of broad institutional interest to the Congress.

Our efforts to support the Congress and inform the general public include

- engaging in a range of oversight, insight, and foresight activities that span the full breadth and scope of federal programs, policies, operations, and performance;
- overseeing government operations through financial and other performance audits to determine whether public funds are being spent efficiently and effectively;
- providing legal opinions to determine whether agencies are in compliance with applicable laws and regulations;
- investigating whether illegal or improper activities are occurring;
- analyzing the financing for government activities;
- conducting a range of constructive engagements in which we work proactively with agencies, when appropriate, to help guide their efforts toward achieving positive results;
- studying national and international trends and challenges to anticipate their implications for public policy;
- conducting policy analyses to assess needed actions and the implications of proposed actions;
- publishing thousands of reports and other documents annually; and
- testifying before the Congress.

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and com-

GAO's History

The Budget and Accounting Act of 1921 required the President to issue an annual federal budget and established GAO as an independent agency to investigate how federal dollars are spent. In the early years, we mainly audited vouchers, but after World War II we started to perform more comprehensive financial audits that examined the economy and efficiency of government operations. By the 1960s, GAO, which is in the legislative branch of the federal government, had begun to perform the type of work we are noted for today—program evaluation—which examines whether government programs are meeting their objectives. Our new name, the U.S. Government Accountability Office, effective July 7, 2004, reflects our people, our work, and our reputation.

mittee reports. In fiscal year 2004, we devoted 90 percent of our engagement resources to work requested or mandated by the Congress. We independently initiated the remaining 10 percent of the engagement work, as authorized by our enabling legislation; much of this work was related to programs that are at high risk for fraud, abuse, and mismanagement; reviews of agencies' budget requests; and various emerging challenges facing the Congress and the country.[1] By making recommendations to improve the accountability, operations, and services of government agencies, we contribute to increasing the effectiveness of federal spending and enhancing the taxpayers' trust and confidence in their government.

As a legislative branch agency, we differ in some ways from executive branch agencies. We are, for instance, exempt from many laws applicable to the executive branch. However, we hold ourselves to the spirit of many of these laws, including 31 U.S.C. 3512 (commonly referred to as the Federal Managers' Financial Integrity Act), the Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996.[2] Accordingly, this performance and accountability report for fiscal year 2004 supplies what we consider to be information that is at least equivalent to that supplied by executive branch agencies in their annual performance and accountability reports.

Organizational Structure

As the Comptroller General of the United States, David M. Walker is the head of GAO and is serving a 15-year term that began in November 1998. The Comptroller General is assisted by three other Executive Committee members, who are Chief Operating Officer Gene L. Dodaro, Chief Administrative Officer/Chief Financial Officer Sallyanne Harper, and General Counsel Anthony H. Gamboa. To achieve our strategic goals, we maintain a workforce of highly trained professionals with degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,300 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country. As shown in figure 1, these staff are arrayed in the following 13 research, audit, and evaluation teams:

- Acquisition and Sourcing Management;
- Applied Research and Methods;
- Defense Capabilities and Management;
- Education, Workforce, and Income Security;
- Financial Management and Assurance;
- Financial Markets and Community Investment;
- Health Care;
- Homeland Security and Justice;
- Information Technology;
- International Affairs and Trade;
- Natural Resources and Environment;
- Physical Infrastructure; and
- Strategic Issues.

GAO Field Locations

Atlanta
Boston
Chicago
Dallas
Dayton
Denver
Huntsville
Los Angeles
Norfolk
San Francisco
Seattle

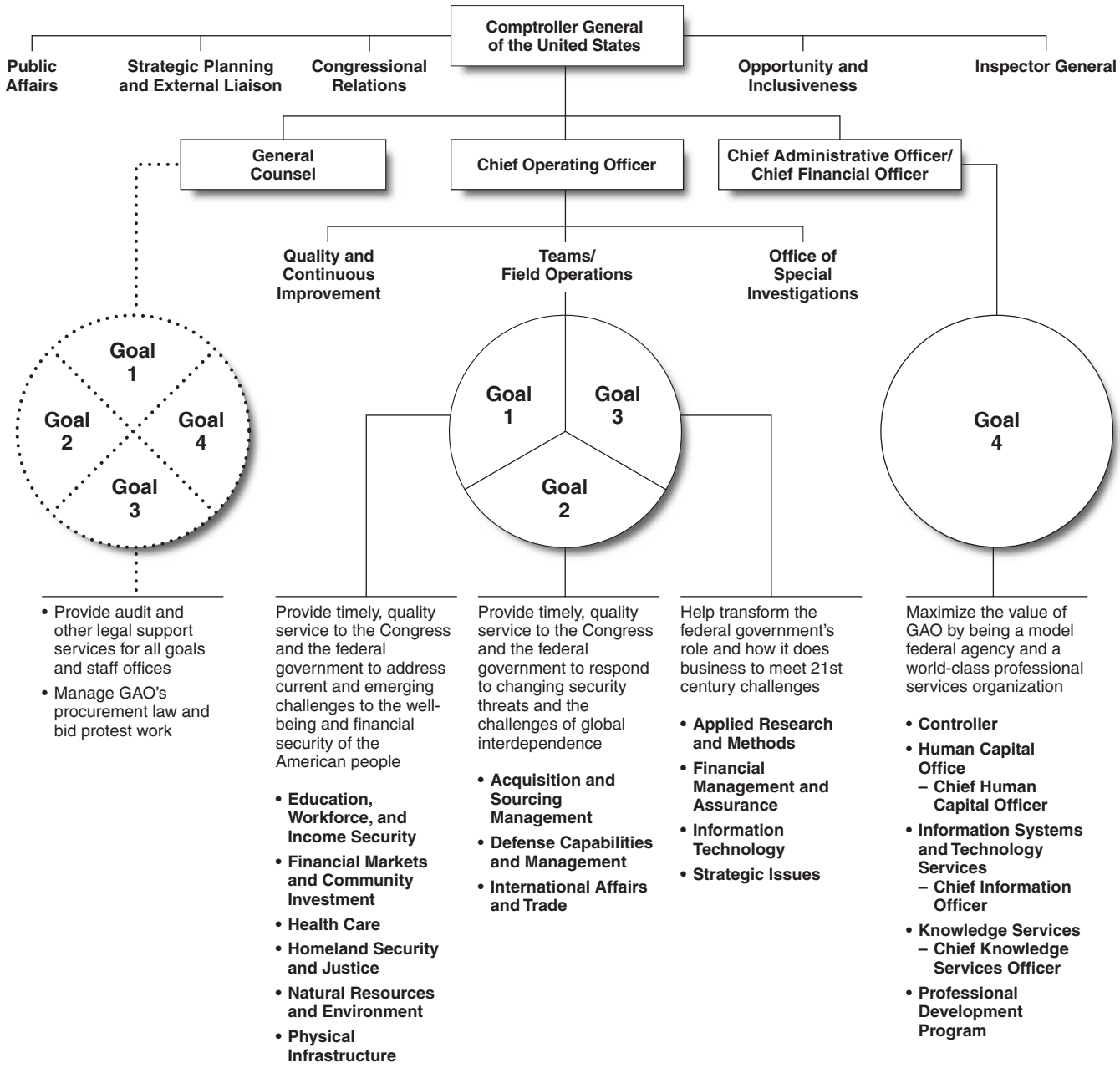
[1]In fiscal years 2002 and 2003, our research and development work represented 11 percent and 8 percent, respectively, of our engagement efforts.

[2]The Federal Managers' Financial Integrity Act requires ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each agency. The Government Performance and Results Act seeks to improve public confidence in federal agency performance by requiring that federally funded agencies develop and implement an accountability system based on performance measurement, including setting goals and objectives and measuring progress toward achieving them. The Federal Financial Management Improvement Act emphasizes the need to improve federal financial management by requiring that federal agencies implement and maintain financial management systems that comply with federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

The teams are organized under our three external strategic goals (see p. 10 for more information about our strategic goals). The teams are supported by staff offices, such as General Counsel and Congressional Relations, and the following mission support units organized under our fourth and only internal strategic goal:

- Controller/Administrative Services Office,
- Human Capital Office,
- Information Systems and Technology Services,
- Knowledge Services, and
- Professional Development Program.

Figure 1: Organizational Structure



Source: GAO.

Note: Several teams perform work in support of multiple strategic goals. General Counsel's structure largely mirrors the agency's goal structure, and attorneys assigned to a goal work with teams on specific engagements. Thus, the dotted lines on this chart indicate General Counsel's support or advisory relationship with the goals and teams rather than a direct reporting relationship.

Senior executives in charge of the teams that support our strategic goals manage a mix of engagements and ensure that the Congress's need for information on quickly emerging issues is met as we continue longer-term work efforts that flow from our strategic plan. To effectively serve the Congress with a finite set of resources, senior managers, in consultation with our congressional clients, determine the timing and priority of engagements for which they are responsible.

Strategic Management Process and Structure

To ensure that we are well positioned to meet the Congress's current and future needs, we update our 6-year strategic plan every 3 years, consulting extensively during the update with our clients on Capitol Hill and with other experts (see our complete strategic plan on www.gao.gov/sp/d04534sp.pdf). Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Given the increasingly fast pace with which crucial issues emerge and evolve, we design a certain amount of flexibility into our plans and staffing structure so that we can respond readily to the Congress's changing priorities. When we revise our plans or our allocation of resources, we disclose those changes in annual performance plans which are posted—like our strategic plan—on the Web for public inspection (www.gao.gov/sp.html). For example, we issued our performance plan for fiscal year 2005 in May 2004 and plan to issue our fiscal year 2006 performance plan as soon as the budget process permits. Each year, we hold ourselves accountable to the Congress and to the American people for our performance, primarily through the annual performance and accountability report. However, we have included some information about future plans in this report to provide as cohesive a view as possible of what we have done, what we are doing, and what we expect to do to support the Congress and to serve the nation. Last year, the Association of Government Accountants awarded us for the third consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2003 performance and accountability report. According to the association, this certificate means that we produced an interesting and informative report that achieved the goal of complete and fair reporting. We also received awards from several other organizations for our fiscal year 2003 report. (See page 11.)

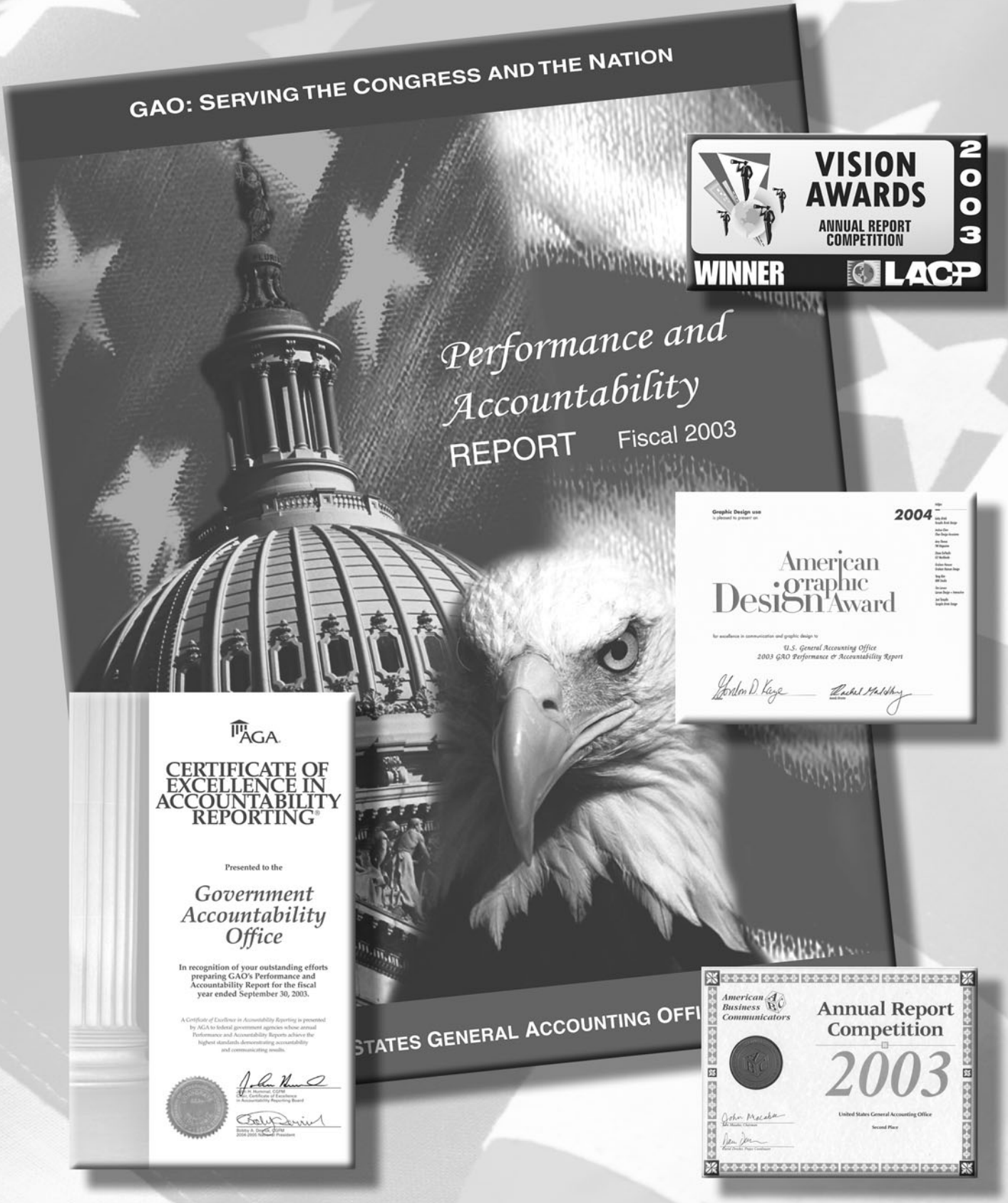
Our strategic plan and management process is based on a hierarchy of four elements—strategic goals, strategic objectives, performance goals, and key efforts. This hierarchy establishes the structure we use to align our work and resources and to discuss our performance. (See fig. 2.)

Figure 2: GAO's Strategic Planning Hierarchy

Source: GAO.

Strategic Goals

At the highest level, we describe our performance in terms of four strategic goals. Our work is primarily organized under three broad strategic goals that span both domestic and international issues that affect the lives of all Americans as well as the issues specific to governance that influence how well the nation's current and future interests are served by the U.S. government. (See fig. 3.) In addition, we have a fourth internal strategic goal aimed at maximizing our productivity through such efforts as steady investments in information technology (IT) and ensuring the safety and security of our people, information, and assets.



Source: See Image Sources.

Figure 3: GAO's Goals and Selected Issues

Goal	Description	In fiscal year 2004, GAO provided information that helped to….
1	Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people.	■ Protect Americans from identity theft ■ Modernize federal disability programs ■ Promote healthful eating in schools ■ Ensure that Medicare providers are paid appropriately ■ Enhance the care and safety of nursing home residents ■ Ensure that steps are taken to increase the safety of commercial aviation ■ Foster more effective federal response to wildland fires ■ Implement postal service reforms to address structural and systemic deficiencies ■ Improve the enforcement of fair housing policies ■ Improve environmental cleanup at former defense sites
2	Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence.	■ Oversee the reconstruction of Afghanistan and Iraq ■ Inform congressional decision making on funding for military needs ■ Improve the Missile Defense Agency's acquisition strategy ■ Improve oversight of federally supported financial institutions ■ Provide investors with better information on mutual fund expenses ■ Strengthen the tools to protect our borders and improve the government's ability to fight terrorist attacks ■ Protect against potential terrorist threats involving the smuggling of nuclear materials ■ Inform congressional decision making on the military's aging fleet of aerial refueling aircraft ■ Enhance domestic security with better data on illegal aliens ■ Analyze how U.S. interests are served through trade agreements and programs
3	Help transform the federal government's role and how it does business to meet 21st century challenges.	■ Strengthen the Department of Homeland Security's (DHS) IT management ■ Strengthen management of the space program by improving the National Aeronautics and Space Administration's (NASA) cost-estimating processes ■ Transform and modernize the accountability profession ■ Reveal that the government has paid for employee degrees from diploma mills and other unaccredited schools ■ Audit the U.S. government's financial statements ■ Increase decision makers' understanding of the federal government's long-term fiscal imbalance ■ Alert the Congress to abusive tax shelters and schemes ■ Reform the military's processes for acquiring satellites and other space-related systems that provide intelligence
4	Maximize the value of GAO by being a model federal agency and a world-class professional services organization.	■ Serve as a model for other federal agencies by making effective use of enhanced human capital tools and flexibilities and using enabling technology to improve GAO's crosscutting business practices

Source: GAO.

Strategic Objectives

Each of the strategic goals is supported by a set of objectives. Under strategic goal 1, for instance, are 8 strategic objectives that call for us to address issues that range from health care needs and financing to a secure and effective national physical infrastructure. Altogether, there are 21 strategic objectives. (See the Strategic Plan Framework shown on page 14.) Our organizational units typically contribute to the achievement of more than one strategic objective, with some working toward more than one strategic goal as well. This matrixing allows us more flexibility in deploying the agency's resources to meet congressional requests on complex issues.

Examples of Our Strategic Planning Elements

Strategic Goal 1: Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People

Strategic Objective: The Health Needs of an Aging and Diverse Population

Performance Goal: Evaluate Medicare Reform, Financing, and Operations

Key Efforts:

- Analyze Medicare's financial condition and the potential consequences of program structural reforms
- Evaluate the Centers for Medicare & Medicaid Services' (CMS) management of Medicare, including its implementation of legislative reforms and its service to providers and beneficiaries
- Evaluate Medicare payment methods for health care providers
- Assess the effects of Medicare's payment methods on access to, and quality of, health care services
- Evaluate CMS's safeguards and program controls over provider payments and beneficiary access and quality

Performance Goals

About 100 multiyear qualitative performance goals further define the strategic objectives and describe major areas in which we expect to make a contribution over 2 or more years. For instance, 7 performance goals support our strategic objective on health care needs and financing—one of them is to evaluate Medicare reform, financing, and operations. Performance goals constitute our strategies for achieving our strategic goals and objectives; they are listed later in the Performance Information section of this report.

Key Efforts

Finally, more than 400 key efforts describe the work we must do to accomplish our performance goals. For example, analyzing the potential consequences of Medicare structural reforms is one of five key efforts supporting the performance goals of evaluating Medicare reform, financing, and operations; this performance goal is one of seven that support the strategic objective of addressing the health needs of an aging and diverse population, which is one of eight strategic objectives supporting strategic goal 1. The key efforts are published electronically in our strategic plan or separately at www.gao.gov/sp/d04534spsupplements.pdf.

How We Measure Our Performance

We measure our performance using annual quantitative measures and multiyear qualitative performance goals. Together, these indicators help us to determine how well we are meeting the needs of the Congress and maximizing our value as a world-class organization.

Annual Performance Measures

For several years, we have measured our performance annually using seven key indicators that are related to the results of our work and its usefulness to our primary client—the Congress. To establish targets for these measures, we examine what we have been able to achieve in the past and the external factors that influence our work (those factors are discussed in the section of this report called Strategies and Challenges). The teams and offices that are directly engaged in the work discuss their views of what must be accomplished in the upcoming fiscal year with our top executives, who then establish targets for the performance measures. Once approved by the Comptroller General, the targets become final and are published in our annual performance plan. In some cases, we may adjust the

Serving the Congress and the Nation
GAO's Strategic Plan Framework

Mission

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

Themes

- Long-Term Fiscal Imbalance
- National Security
- Global Interdependence
- 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 *related to . . .*

- 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

... Respond to Changing Security Threats and the Challenges of Global Interdependence *involving . . .*

- Emerging 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 *by assessing . . .*

- Roles in achieving federal objectives
- Government transformation
- Key management challenges and program risks
- 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 *in the areas of . . .*

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience
- Process improvement
- Employer of choice

Core Values

Accountability | **Integrity** | **Reliability**

Source: GAO.

Fiscal years 2004-2009

Table 1: Annual Measures of Results

Measure	Description
Financial benefits	Benefits to the federal government that can be estimated in dollar terms (e.g., decreased costs, increased revenues, or monetary revenues made available for other purposes) that result in improved statutes or regulations, improved services to the public, or improved government business operations that occurred as a result of work that we completed over the past several years.
Other benefits	Benefits to the federal government that cannot be estimated in dollar terms that result in improved services to the public, improved statutes or regulations, or improved government business operations that occurred as a result of work that we completed over the past several years.
New recommendations made	The number of recommendations made in products issued within the fiscal year
Past recommendations implemented	Of the recommendations made 4 fiscal years prior to the current fiscal year, the percentage of recommendations that were implemented
Percentage of products with recommendations	Of the written products issued in the fiscal year (except testimonies, which seldom contain recommendations), the percentage that included at least one recommendation. Not all products that we issue during the fiscal year contain recommendations—some are purely informational. This measure allows us to respond to a variety of requests that may not result in recommendations.

Source: GAO.

future targets after they are initially published, based on our analysis of more current data and expected future work or based on the level of funding provided. In these cases, we include the modified targets in later documents, such as a performance and accountability report, and annotate them as being modified. In this regard, we have made certain modifications (generally increases) to our fiscal year 2005 performance targets since publishing our latest performance plan earlier this year.

Measuring the Results of Our Work

We use five of our annual measures to assess our efforts to provide the kind of information and recommendations that will lead to benefits for the American people. These measures are briefly described in table 1.

We measure our performance in two ways:

- Annual, quantitative measures
- Multiyear, qualitative performance goals

For financial benefits, other benefits, and new recommendations made, we first set targets for the agency as a whole and then we set targets for each of the external goals—that is, goals 1, 2, and 3—so that the sum of the targets for the goals will equal the agencywide targets. For the remaining two measures—past recommendations implemented and percentage of products with recommendations—we set targets and report performance for the agency as a whole because we want our performance on these measures to be consistent across goals. We track our performance by strategic goal in order to understand why we met or did not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas in which they need to improve.

Financial benefits and other benefits provide quantitative and qualitative information, respectively, on the outcomes or results that were achieved from our work. They often represent outcomes that occurred over a period of several years. The remaining measures are intermediate outcomes in that they often lead to achieving outcomes that are ultimately captured in our financial or other benefits.

Measuring Client Service

We use two performance measures—the number of testimonies and the timeliness of our products—as indicators of how well we are meeting our clients' needs (see table 2). We consider requests to present testimony as an indicator that our clients believe that our work can add value to the congressional

Table 2: Annual Measures of Client Service

Measure	Description
Testimonies	The number of hearings at which we presented testimony
Timeliness	Of the products issued in the fiscal year, the percentage that were issued by the date agreed upon with the client or, for our research and development work, by the date agreed to internally

Source: GAO.

decision-making process. We set a target at the agencywide level for the number of testimonies and then assign a portion of the testimonies as a target for each of the external goals—that is, goals 1, 2, and 3—based on their expected contribution to the agencywide total. As in measuring the results of our work, we track our progress on this measure at the goal level in order to understand why we met or did not meet the agencywide target.

We also believe that our ability to provide products by the agreed-upon date means that we have met the clients' needs for providing information in time for it to be of value to them. We set agencywide targets for timeliness because we want our performance on these measures to be consistent across goals. We use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas in which they need to improve.

Measuring the Management of Our People

Our most important asset is our people and they determine our capacity to perform. Therefore, beginning in fiscal year 2005, we will hold our managers accountable for performance measures that will help us determine how well we are attracting, retaining, using, investing in, and leading our human resources. Table 3 describes the measures that we will be using to assess our performance in this area. Each year, we will set an agencywide target for each of these measures. The information needed for these measures will come from a variety of sources, including the U.S. Department of Agriculture's (USDA) National Finance Center database—which handles payroll and personnel data for GAO and other agencies—and our annual confidential survey of employees. (For more details about our data sources for theses measures, see the data verification and validation table on page 67.)

Table 3: Annual Measures Related to Our People

Measure	Description
New hire rate	The ratio of the number of people hired to the number we planned to hire.
Acceptance rate	The ratio of the number of applicants accepting offers to the number of offers made.
Retention rate	Computed by taking 100 percent minus the attrition rate, where attrition is defined as the number of employee separations divided by the average on-board strength. This measure is the inverse of attrition rate. We calculate this measure with and without retirements.
Staff development	From the annual employee survey, the percentage of people responding favorably to questions on internal, external, and on-the-job training.
Staff utilization	From the annual employee survey, the percentage of people responding favorably to questions on our use of staff's knowledge and skills.
Leadership	From the annual employee survey, the percentage of people responding favorably to questions about specific qualities of our managers, such as whether leaders treated staff fairly, made timely decisions, demonstrated GAO's core values, implemented change effectively, and dealt effectively with diversity issues.
Organizational climate	From the annual employee survey, the percentage of people responding favorably to questions on teamwork, morale, and overall satisfaction.

Source: GAO.

Multiyear Performance Goals

We use two elements in our strategic planning hierarchy—performance goals and key efforts—as qualitative indicators of our performance. We ask senior managers to determine whether the performance goals established in our strategic plan have been met over a multiyear period. To do this, senior managers examine the amount of work conducted and recommendations made for each key effort supporting each performance goal. Senior managers also consider any other assistance provided to the client or customer that is related to these efforts. These senior executives then judge whether the work completed collectively for all key efforts actually achieved the performance goal.

With our strategic plan that was updated in March 2004 to cover fiscal years 2004 through 2009, we established new performance goals and initiated a new multiyear assessment cycle. In this performance and accountability report, we assess the extent to which we are on track to meet the new performance goals, and in our fiscal year 2005 report we will assess the extent to which we met these performance goals. We will revisit our key efforts and performance goals in our annual performance plan and strategic plan to ensure that they are still relevant to the work we are doing or plan to do in support of the Congress.

On the pages that follow, we assess our performance for fiscal year 2004 against our previously established performance targets. We also present our financial statements, the independent auditor's report, and a statement from GAO's Inspector General.

PART I

Management's Discussion and Analysis

Source: See Image Sources.

Achieving Results on Behalf of the Congress and All Americans

In fiscal year 2004, much of our work examined the effectiveness of the federal government's day-to-day operations, such as administering benefits to the elderly and other needy populations, providing grants and loans to college students, and collecting taxes from businesses and individuals. Yet we remained alert to emerging problems that demanded the attention of lawmakers and the public. For example, we continued to closely monitor developments affecting the Iraq war, defense transformation, homeland security, health care, the postal service, civil service reform, and the nation's private pension system. We also informed policy makers about long-term challenges facing the nation, such as the federal government's financial outlook, new security threats in the post-Cold War world, the aging of America and its impact on our health care and retirement systems, changing economic conditions, and the increasing demands on our infrastructure—from highways to water systems. We provided congressional committees, members, and staff with information in the form of reports; recommendations; testimonies; briefings; and expert comments on bills, laws, and other legal matters affecting the federal government. We performed this work in accordance with our strategic plan, consistent with our professional standards, and guided by our core values (see our Strategic Plan Framework on page 14).

To understand how well we supported the Congress in meeting its constitutional responsibilities in fiscal year 2004, we monitored our performance using seven annual performance measures that capture the results of our work and the assistance we provided to our client—the Congress (see table 4). These measures indicate that we had an exceptional year—we again exceeded our performance targets for six of our seven measures. Two of our results measures—financial benefits and other benefits—illustrate the outcomes of our work and our value to the American people because they track federal dollars saved or better used and programmatic improvements implemented as a result of our work. Three additional results measures track recommendations implemented, new products with recommendations, and recommendations made that help us to achieve financial and other benefits. Our client measures—testimonies and timeliness—indicate to a great extent how well we, as an information provider, serve the Congress.

In fiscal year 2004, we exceeded or equaled our records for all of our performance measures except for the number of testimonies. Our financial benefits of $44 billion represent a $95 return on every dollar invested in us. In addition, we greatly exceeded two of our annual performance targets—other benefits and new recommendations made. We surpassed our target for other benefits by about 33 percent and our target for new recommendations by 76 percent primarily because we issued several products—governmentwide in scope—that contained numerous recommendations aimed at strengthening federal agencies' financial management and IT. These agencies subsequently implemented many of our recommendations, thus producing significant benefits in these areas. Beginning in fiscal year 2005, we will not set or report publicly a target for the number of recommendations made because we believe the measure is no longer needed. We created this measure to provide some performance information related to recommendations. Subsequently, we added a measure for the percentage of new products with recommendations. Now that we have had several years to establish a baseline for the latter, we feel that it alone is a sufficient measure to ensure that our work results in beneficial recommendations. However, we will continue to monitor the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations—the basis for our financial and other benefits for the American people.

Table 4: Agencywide Summary of Annual Measures and Targets

Performance measures	2000 actual	2001 actual	2002 actual	2003 actual	2004 Target	2004 Actual	Met/ not met	2005 target
Results								
Financial benefits (dollars in billions)	$23.2	$26.4	$37.7	$35.4	$35.0	**$44.0**	Met	$37.5
Other benefits	788	799	906	1,043	900	**1,197**	Met	1,000
Past recommendations implemented	78%	79%	79%	82%	79%	**83%**	Met	80%
New recommendations made[a]	1,224	1,563	1,950	2,175	1,500	**2,790**	Met	N/A
New products with recommendations	39%	44%	53%	55%	50%	**63%**	Met	55%
Client								
Testimonies	263	151	216	189	190	**217**	Met	185
Timeliness	96%	95%	96%	97%	98%	**97%**	Not met	98%

Source: GAO.

Note: N/A indicates target not applicable.

[a]Beginning in fiscal year 2005, we will eliminate this as a performance measure and will use the percentage of new products with recommendations to show how our work results in beneficial recommendations. However, we will continue to track the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations.

To help us examine trends over time, we also look at 4-year averages for all measures except the percentage of past recommendations implemented because it is a composite that is drawn from a number of years rather than an annual percentage. Calculating 4-year averages for the other measures minimizes the effect of an atypical result in any given year. Table 5 shows that between fiscal year 2000 and fiscal year 2004 financial and other benefits increased along with the number of new recommendations made and the percentage of new products with recommendations. The average number of testimonies, on the other hand, declined during this period in part because a decline in the number of oversight hearings. Our ability to provide timely products leveled off between fiscal year 2002 and fiscal year 2004 at 96 percent.

Table 5: Four-Year Rolling Averages for Selected GAO Measures

Performance measure	2000	2001	2002	2003	2004
Results					
Financial benefits (dollars in billions)	$21.0	$22.4	$26.9	$30.7	$35.9
Other benefits	581	683	775	884	986
New recommendations made	997	1,179	1,419	1,728	2,120
New products with recommendations	35%	37%	42%	48%	54%
Client					
Testimonies	233	225	215	205	193
Timeliness	94%	95%	96%	96%	96%

Source: GAO.

Regarding our qualitative multiyear performance goals, at the close of fiscal year 2004 (halfway through our 2-year performance cycle) we were on track to meet almost all of our 99 performance goals by the end of fiscal year 2005. In Part II of this report, we present detailed information about the multiyear performance goals developed to measure our progress toward achieving each of our four strategic goals.

Focusing on Results

Focusing on outcomes and the efficiency of the processes needed to achieve them is fundamental to accomplishing our mission. The following five annual measures indicate that we have fulfilled our mission and delivered results that benefit the nation.

Financial and Other Benefits

We describe many of the benefits produced by our work as either financial or other (nonfinancial) benefits. Both types of benefits result from our efforts to provide information to the Congress that helped to (1) change laws and regulations, (2) improve services to the public, and (3) promote sound agency and governmentwide management. In many cases, the benefits we claimed in fiscal year 2004 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

To claim either type of benefit, our staff must document the connection between the benefits reported and the work that we performed.

Financial benefits

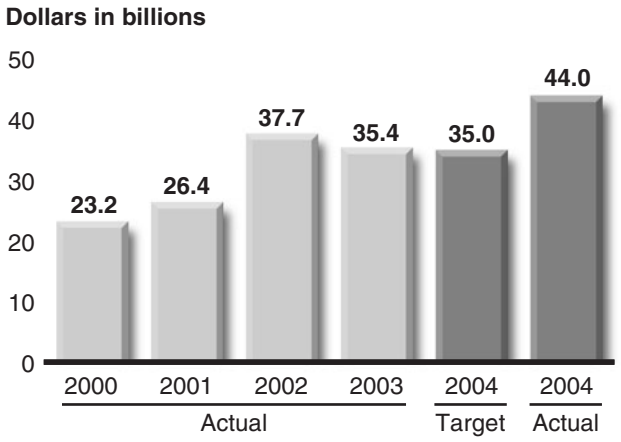
Our findings and recommendations produce measurable financial benefits for the federal government when the Congress or agencies act on them and the funds are made available to reduce government expenditures or are reallocated to other areas. The monetary effect realized can be the result of changes in

- business operations and activities;
- the structure of federal programs; or
- entitlements, taxes, or user fees.

For example, financial benefits could result if the Congress were to reduce the annual cost of operating a federal program or lessen the cost of a multiyear program or entitlement. Financial benefits could also result from increases in federal revenues—due to changes in laws, user fees, or asset sales—that our work helped to produce.

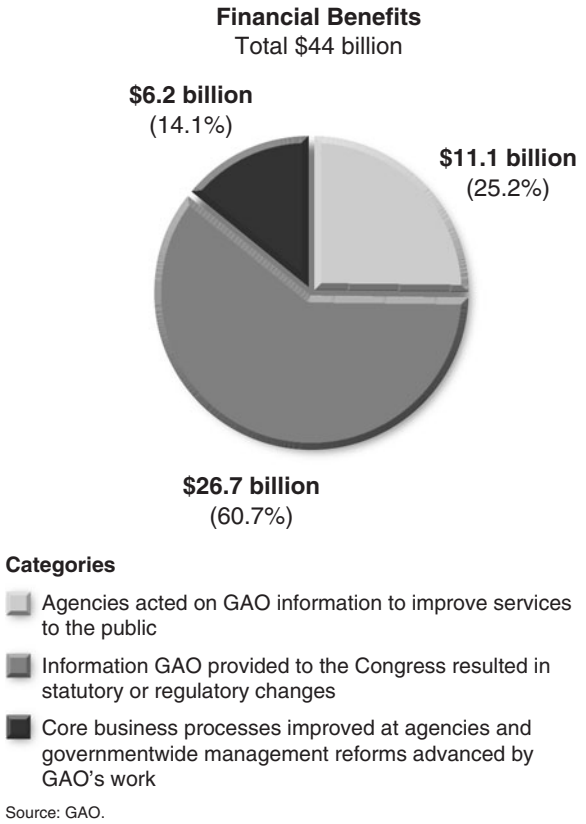
In fiscal year 2004, our work generated $44 billion in financial benefits (see fig. 4), primarily from recommendations we made to agencies and the Congress. Of this amount, about $27 billion (or approximately 61 percent) resulted from changes in laws or regulations (see fig.5).

Figure 4: GAO's Fiscal Year 2004 Financial Benefits



Source: GAO.

Figure 5: Types of Financial Benefits Recorded in Fiscal Year 2004 from Our Work



Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action. To ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to 2 years of accrued reductions. Multiyear reductions in long-term projects, changes in tax laws, program terminations, or sales of government assets are limited to 5 years. Estimates must be based on third-party sources and reduced by any identifiable offsetting costs. The third parties are typically the agency that acted on our work, a congressional committee, or the Congressional Budget Office.

To document financial benefits, our staff complete reports documenting accomplishments that are linked to specific products or actions. All accomplishment reports for financial benefits are documented and reviewed by (1) another GAO staff member not involved in the work and (2) a senior executive in charge of the work. Also, a separate unit, our Quality and Continuous Improvement (QCI) office, reviews all financial benefits and approves benefits of $100 million or more, which amounted to 95 percent of the total dollar value of benefits recorded in fiscal year 2004. Additionally, our Office of Inspector General (IG) performs an independent review of all accomplishment reports claiming benefits of $500 million or more.

Figure 6 lists several of our major financial benefits for fiscal year 2004 and briefly describes some of our work contributing to financial benefits.

Figure 6: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2004

Source: See Image Sources.

Description	Amount
Eliminated Medicaid's upper payment limit loophole. We identified a weakness in Medicaid's upper payment limit methodology that allowed states to make excessive payments to local, government-owned nursing facilities and then have the facilities return the payments to the states, creating the illusion that they had made large Medicaid payments in order to generate federal matching payments. Closing the loophole prevented the federal government from making significant federal matching payments to states above those intended by Medicaid. The amount shown represents the net present value of estimated financial benefits for fiscal years 2005 and 2006—the final years for which benefits can be claimed.	$10,073
Updated the Consumer Price Index (CPI). We recommended that the Bureau of Labor Statistics (BLS) periodically update the expenditure weights of its market basket of goods and services used to calculate the CPI to make it more timely and representative of consumer expenditures. BLS agreed to do this every 2 years, and the CPI for January 2002 reflected the new weights. For federal programs that use the CPI as an index for determining benefits, the adjustments have resulted in decreased federal expenditures (e.g., reduced Social Security cost-of-living adjustments) and increased federal revenues, such as reductions in the growth of personal exemptions for federal income taxes. The amount shown represents projected financial benefits for fiscal year 2007, the fifth and final year for which we will allow benefits to be claimed for this action.	$5,074
Reduced costs associated with Medicare spending on home health care. We reported in 2002 that Medicare's payments for home health care episodes were, on average, about 35 percent higher than the estimated costs of home health care provided in the first 6 months of 2001. Our report helped to ensure that the Congress did not delay or eliminate a scheduled reduction in Medicare home health payments that had risen rapidly from the late 1980s through the mid-1990s.	$4,661
Reduced the cost of federal housing programs. We determined that the Department of Housing and Urban Development (HUD) did not have the information it needed to routinely calculate and track unexpended balances in its housing and community development programs. As a result of our work, the Congress required HUD to prepare quarterly reports on unexpended balances for each program, and HUD management committed to closely monitor these balances and identify amounts available for recapture.	$3,638
Improved the use of the Iraqi Freedom Fund. We reported that the military services may obligate all of the funds appropriated for the global war on terrorism in fiscal year 2003 as required. Thus, the Congress rescinded $3.49 billion from the September 2003 balance remaining in the Iraqi Freedom Fund as part of the Fiscal Year 2004 Department of Defense Appropriations Act. These funds were made available for other purposes.	$3,490
Reduced costs associated with preparing the Department of Defense's (DOD) financial statements. We determined that DOD's initial plans to obtain a favorable fiscal year 2004 audit opinion were not feasible or cost-effective. Therefore, instead of moving $2.2 billion to fund the DOD components' efforts focused on a fiscal year 2004 audit opinion, the DOD Comptroller shifted $184 million to begin auditability assessments and audits, as applicable, as part of a long-term strategy to improve DOD's fiscal accountability. The Comptroller's decision not to reprogram the funds allowed DOD to use over $2 billion for other purposes during the fiscal year.	$2,057

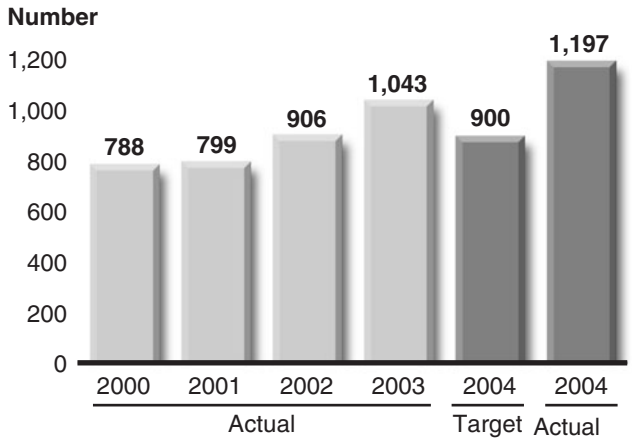
Description	Amount
Modified the focus of funding for DOD's V-22 Osprey aircraft program. We highlighted for DOD officials—before full production of the aircraft was scheduled to begin—numerous risks and unknowns that existed in the V-22 Osprey program because of inadequate testing and evaluation. We reported these concerns to a blue-ribbon investigative panel established after a second fatal crash of the V-22. As a result of our work, the blue-ribbon panel recommended that DOD temporarily reduce the production of the V-22 to a minimum level to free up funds to better address the research and development issues we raised. The Congress reduced the procurement funding for purchasing V-22 aircraft from the planned 37 to 11 for each of fiscal years 2003 and 2004. This action allowed some funds to be used for development testing of the V-22 aircraft, but the remaining funds were made available for other purposes.	$1,618
Eliminated unnecessary military funding from the budget. We recommended that requested fiscal year 2004 funds be eliminated for three terminated military operations involving Iraq's compliance with various United Nations resolutions, Operations Northern and Southern Watch and Operation Desert Spring. These funds were made available for other purposes.	$1,353
Improved DOD's contracting and acquisition practices. We developed a strategic framework—based on the best practices of leading private-sector companies—to guide DOD's services contracting reforms and recommended changes in DOD's organizational structure and approach to acquiring goods and services, such as using cross-functional teams and spend analyses to coordinate key purchases and leverage buying power for the agency. As a result of work done by us and others, the Congress cut DOD's budget in its fiscal year 2003 appropriation in anticipation of expected savings. This accomplishment amends a financial benefit we claimed in fiscal year 2002 and represents an additional benefit in fiscal year 2004—the final year for which a benefit can be claimed.	$868

Source: GAO.

Other Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2004, we recorded a total of 1,197 other benefits (see fig. 7).

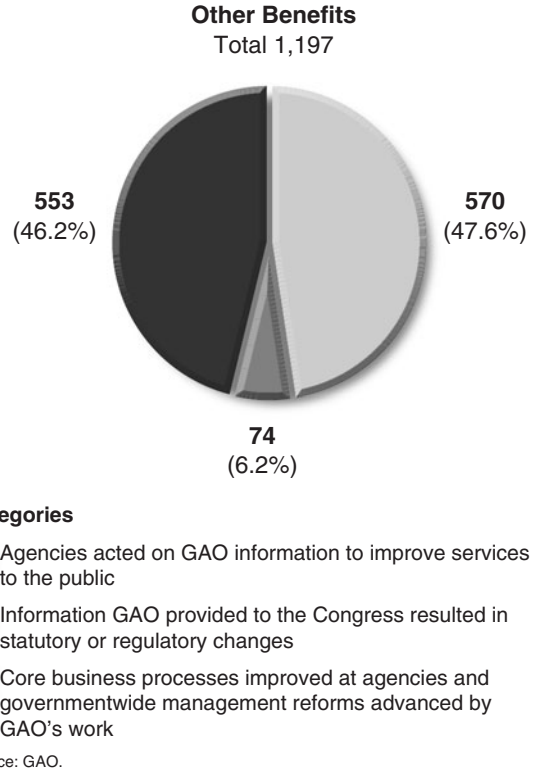
Figure 7: Other Benefits



Source: GAO.

We documented 74 instances where information we provided to the Congress resulted in statutory or regulatory changes, 570 instances where federal agencies improved services to the public, and 553 instances where agencies improved core business processes or governmentwide reforms were advanced. (See fig. 8.) These actions spanned the full spectrum of national issues, from ensuring the safety of commercial airline passengers to identifying abusive tax shelters. In figure 9 we provide examples of some of the other benefits we claimed as accomplishments in fiscal year 2004.

Figure 8: Types of Other Benefits Recorded in Fiscal Year 2004 from Our Work



Source: GAO.

Figure 9: GAO's Selected Other (Nonfinancial) Benefits Reported in Fiscal Year 2004

Source: See Image Sources.

Vision 100-Century of Aviation Reauthorization Act, Pub. L. No. 108-176	We worked closely with the Congress to draft language that was included in this law related to curriculum and certification requirements for aviation mechanics. The language, which was based on recommendations we had made, included a requirement that the Federal Aviation Administration update and revise curriculum standards for aviation mechanics.
Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173	Congress included six provisions in the law based on analyses and recommendations we made. For example, our work found that Medicare's method for establishing payment rates for drugs obtained under Medicare Part B—which covers doctors' services, outpatient hospital care, and some other nonhospital services—was flawed because it based payments on nonmarket-driven price estimates. The law addressed these issues by lowering payment rates in 2004 for drugs covered by Part B to more closely reflect acquisition costs, and by changing the method for calculating these payment rates in 2005, basing these rates on a market-driven estimate. Also, partly on the basis of our work, the Congress modified the eligibility criteria for small rural hospitals to qualify as critical access hospitals under the Medicare program. This change provides flexibility for some additional hospitals to consider conversion. Because of Medicare's payment methodology, converting to a critical access hospital may help bolster a hospital's financial condition, allowing it to continue to provide services to patients.
Consolidated Appropriations Act, 2004, Pub. L. No. 108-199	We found that HUD could make more accurate eligibility decisions for individuals seeking housing assistance if it had access to more timely income information available from the Department of Health and Human Service's Office of Child Support Enforcement's National Directory of New Hires. We recommended that HUD match applicants and current recipients of its Section 8 housing programs with the new hires database. This law gives HUD access to information from the database that will better ensure that only eligible individuals receive housing assistance.
National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136	We testified that most existing federal performance appraisal systems, including a vast majority of DOD"s systems, are not designed to support a meaningful performance-based personnel system and agencies should have to demonstrate that these systems are modern, effective, and valid in order to receive any additional performance-based flexibilities. We suggested that the Congress establish a governmentwide fund whereby agencies could apply for funds to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse. This law established the Human Capital Performance Fund to support all executive agencies as they plan for and carry out performance-based rewards for their civilian employees.

Other Benefits

That Helped to Improve Services to the Public

Source: See Image Sources.

Helped to Ensure the Safety of Shellfish	In July 2001, we reported that the Food and Drug Administration's (FDA) oversight of states' shellfish safety programs was not risk-based and thus FDA was not using its limited resources wisely. To better ensure shellfish safety, we recommended that FDA identify risk factors for each of its program elements (growing area classification, processing and shipping, and control of harvest). FDA developed a scoring system for these factors. FDA shellfish specialists compute a total risk score of high, medium, or low that determines the frequency of the evaluation of that program element. High-risk elements were to be evaluated every year beginning in fiscal year 2003, medium-risk elements every second year beginning in fiscal year 2004, and low-risk elements every third year beginning in fiscal year 2005.
Identified the Need for Better Criteria to Determine Highly Qualified Teachers	Our report found that states did not have the information needed to determine whether teachers had met criteria to be considered highly qualified, as required by the No Child Left Behind Act. Specifically, states did not have the information they needed to develop methods to evaluate the subject area knowledge of teachers. To help states determine the number of highly qualified teachers they have and the actions they need to take to meet the requirements for highly qualified teachers by the end of the 2005-06 school year, we recommended that the Secretary of Education provide more information to states about methods to evaluate subject area knowledge of current teachers. In January 2004, Education issued a revised version of the guidance "Improving Teacher Quality," which contains more information on how to evaluate subject area knowledge to meet the federal definition of a highly qualified teacher. Specifically, the guidance includes a new section that, among other things, defines evaluation standards and factors to consider when developing them.
Encouraged VA to Clarify the Array of Home Health Care Services Available to Veterans	We recommended that the Department of Veterans Affairs (VA) specify in policy whether three home health services—home-based primary care, homemaker/home health aide, and skilled home health care—are to be available to all enrolled veterans. In response, VA published an information letter on October 1, 2003, clarifying that according to VA policy, the three home health services are to be available for all enrolled, eligible veterans in need of such services. The information letter was distributed to all facilities through e-mail and is available on the VA Web site.

Other Benefits

That Helped to Promote Sound Agency and Governmentwide Management

Source: See Image Sources.

Identified the Need for More Specific Criteria to Select for Audit Tax Returns From Large Corporations	We found that the Internal Revenue Service (IRS) is investing more in audits of large corporations and getting less in return. To improve the audits of tax returns filed by large corporations, we recommended that IRS provide more specific objective criteria and procedures to guide the selection of large corporate tax returns and classification of tax issues with high audit potential across the districts. In March 2002, IRS implemented a process for scoring returns in order to fully implement a plan to place these returns in the field for audit. IRS has begun to identify high-risk returns from corporate and partnership tax returns using the Discriminant Analysis System.
Helped to Centralize the Oversight of Major DOD Contracts	We examined various DOD initiatives under way that are intended to better manage acquisition of services, including drafting policy to provide better oversight on purchases of high-dollar value services. In response to our work, the Under Secretary of Defense for Acquisition, Technology, and Logistics and each of the military departments now have a management structure in place and a process for reviewing major (i.e., large-dollar or program-critical) service acquisitions for adherence to performance and other contracting requirements. The new policy establishes a threshold of $500 million or more for selecting service purchases for review and approval by the military department and possibly DOD headquarters, allowing DOD to adequately plan major purchases before committing the government to major expenditures.
Helped to Reduce Fraud, Waste, and Abuse of Agencies' Purchase Cards	In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in the government's $16 billion purchase card program. Our work identified numerous cases of fraud, waste, and abuse at DOD, HUD, and the Federal Aviation Administration. These agencies have taken significant steps to implement the hundreds of recommendations we made to upgrade their controls. Major improvement areas include enhanced controls over card issuance and cancellation, reduced span of control for approving officials, increased human capital resources and training, new performance measures and goals, required advance approval of purchases, and independent receiving and acceptance of goods and services. These efforts will substantially reduce the government's vulnerability to fraud, waste, and abuse in agencies' purchase card programs.

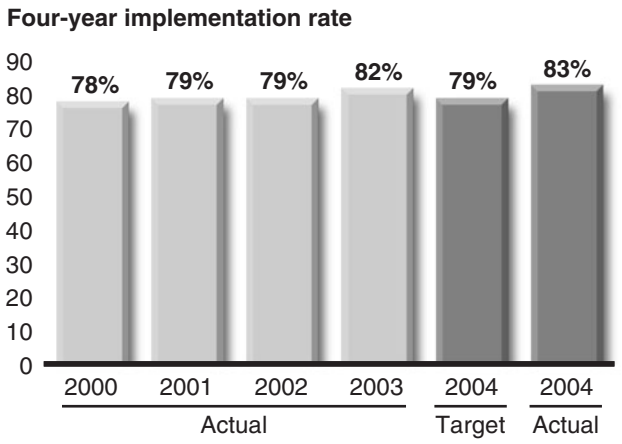
Source: GAO.

In addition to the financial and other benefits claimed in fiscal year 2004 from our work, we also achieved the following results.

Past Recommendations Implemented

One way we measure our effect on improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2004, 83 percent of the recommendations we made in fiscal year 2000 had been implemented (see fig. 10), primarily by executive branch agencies. Putting these recommendations into practice will generate tangible benefits for the American people in the years ahead.

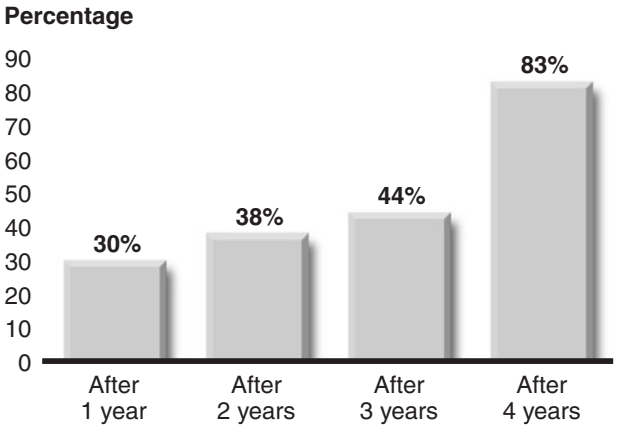
Figure 10: Past Recommendations Implemented



Source: GAO.

The 83 percent implementation rate for fiscal year 2004 exceeded our target for the year by 4 percentage points as well as our actual performance for fiscal year 2000 through fiscal year 2003. As figure 11 indicates, agencies need time to act on recommendations. Therefore, we assess recommendations implemented after 4 years, the point at which experience has shown that if a recommendation has not been implemented, it is not likely to be.

Figure 11: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2000



Source: GAO.

We continually follow up on our recommendations. Specifically, as of the end of fiscal year 2004, agencies and the Congress had implemented 48 percent of the recommendations we had made in fiscal year 2001, 31 percent of those made in fiscal year 2002, and 18 percent of those made in fiscal year 2003.

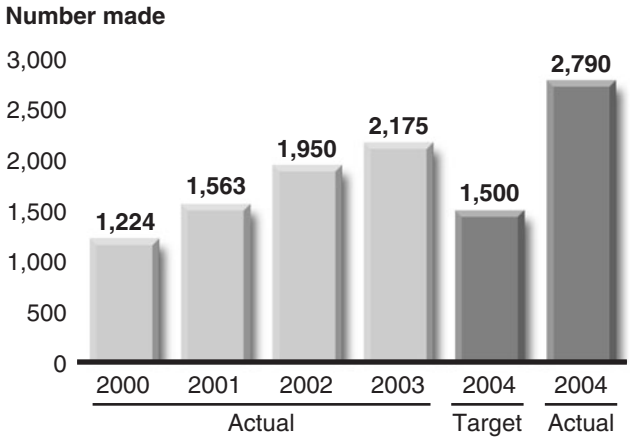
New Recommendations Made

As shown in figure 12, we made 2,790 new recommendations in fiscal year 2004, again exceeding our target for this year and the past 4 years. Though all of the products we issued did not include recommendations, developing useful and material recommendations is an important part of our work for the Congress because it helps to improve how the government functions and often leads to financial and other benefits for the public. This year 436 of the written products we issued yielded the 2,790 recommendations reported.[3]

In fiscal year 2005 we will eliminate this measure from our performance scorecard. We created this measure in fiscal year 2000 to provide some performance information related to recommendations. Subsequently, we added a measure for the percentage of new products with recommendations. Now that we have had several years to establish a baseline for the latter, we feel that it alone is a sufficient measure to ensure that our work results in beneficial recommendations. However, we will continue to monitor the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations.

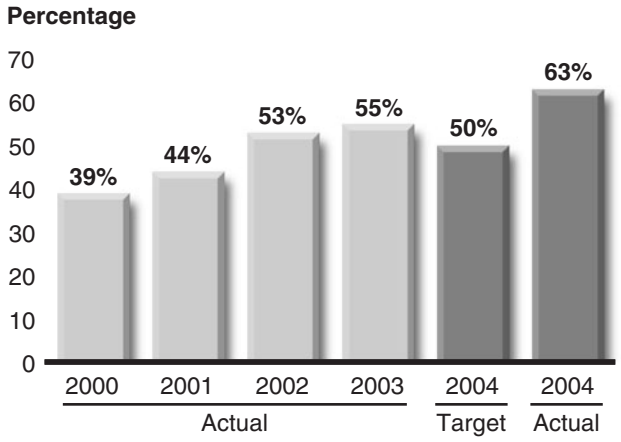
[3]We have an extensive product line including oral briefings, testimonies, and various types of other written products. The 436 written products include chapter reports, letter reports, and numbered correspondence, some of which contain classified or sensitive material.

Figure 12: New Recommendations Made



Source: GAO.

Figure 13: New Products with Recommendations



Source: GAO.

New Products Containing Recommendations

This year, about 63 percent of the 673 written products we issued (excluding testimonies) included recommendations. (See fig. 13.) This measure recognizes that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about significant financial and other benefits. Hence, this measure allows us ample leeway to respond to requests that result in reports without recommendations.

Multiyear Performance Goals

In addition to our annual measures, we track our progress on 99 multiyear performance goals. At the end of fiscal year 2004, we were on track to meet all but 3 of our performance goals. Our performance goals measure the extent to which we did the work we had planned to do to support the Congress during fiscal years 2004 and 2005. Senior GAO managers developed these performance goals at the beginning of the assessment cycle (fiscal year 2004) based on their knowledge of the specific subject area and in consultation with our customers and clients. However, because congressional or GAO priorities can change over the time period covered by these performance goals, we may not be able to meet some of them because resources had to be shifted away from planned work to address new or more urgent priorities. In such circumstances, we do not view an unmet performance goal as a failure. Rather, we believe it shows that we are responsive in carrying out our mission of serving the Congress and the nation and devoting our resources to efforts of critical importance. We consider these performance goals qualitative rather than quantitative because our senior managers determine whether enough work (i.e., key efforts) has been performed to achieve a performance goal. In Part II of this report, we list by strategic goal the multiyear qualitative performance goals supporting each strategic objective and indicate whether the performance goal is on track to be met.

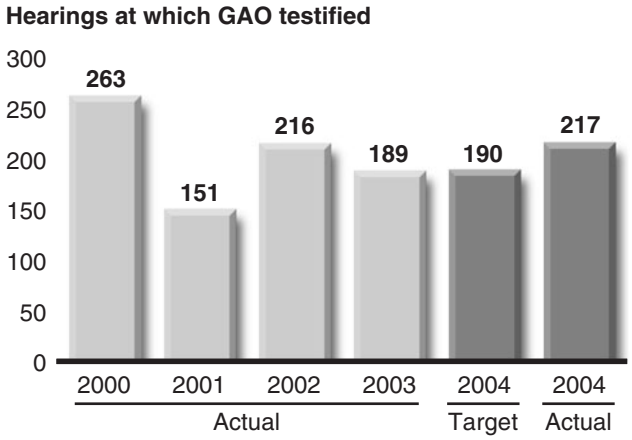
Focusing on Our Clients

To fulfill the Congress's information needs, we strive to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we served our client—the Congress—very well, though we fell a little short of our target to deliver products on time.

Testimonies

During fiscal year 2004, experts from our staff testified at 217 congressional hearings covering a wide range of complex issues (see fig. 14). For example, our senior executives testified on the financial condition of the Pension Benefit Guaranty Corporation's single-employer program, the effects of various proposals to reform Social Security on benefit distributions, and enhancing federal accountability through inspectors general. Nearly half of our testimonies were related to high-risk areas and programs, which are discussed on page 34. See page 33 for a summary of issues we testified on by strategic goal in fiscal year 2004.

Figure 14: Testimonies

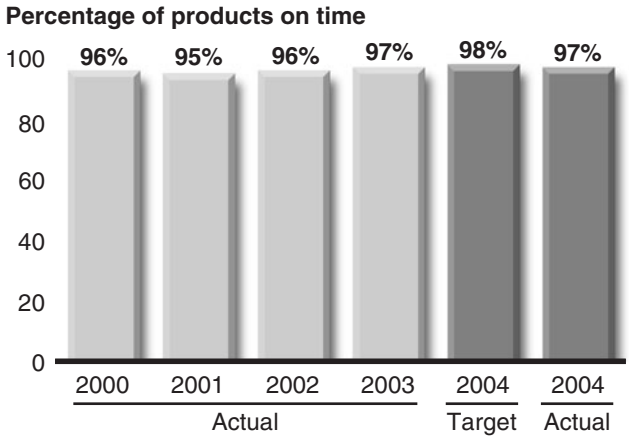


Source: GAO.

Timeliness

We track the percentage of our products that are delivered on or before the day we agreed to with our clients because it is critical that our work be done on time for it to be used by policy makers. While the vast majority of our products—97 percent—were completed on time for our clients in fiscal year 2004, we slightly missed our target of providing 98 percent of them on the promised day. (See fig. 15.) We are taking steps to improve our performance in the future by encouraging matrix management practices among the teams supporting various strategic goals and identifying early those teams that need additional resources to ensure the timely delivery of their products to our clients.

Figure 15: Timeliness



Source: GAO.

Focusing on Our People

We could not have performed as well as we did in fiscal year 2004 without the support and commitment of our highly professional, multidisciplinary staff. Our ability to hire, develop, retain, and lead staff is critical to fulfilling our mission of serving the Congress and the American people. Since 2002 we have refined our processes for measuring how well we manage our human capital and have benchmarked our performance in this area. Beginning in fiscal year 2005, we will add eight measures to our annual performance scorecard, and we intend to hold senior managers accountable for these measures and report our results agencywide. Table 6 shows the targets we have set for these measures in fiscal year 2005 and some past performance data.

For more information about our people measures, see Verifying and Validating Performance Data in Part II of this report.

Selected Issues on Which GAO Testified during Fiscal Year 2004

GOAL 1: Well-Being and Financial Security of the American People

- Student loan programs
- Child welfare
- Pension plan insurance programs
- Energy Employees' Occupational Illness Compensation Program
- Social Security reform's effect on benefits and taxes
- Medicare spending
- Intergovernmental Medicaid transfers
- Private health insurance
- Defense and veterans' health care
- U.S. gasoline markets
- Farm program payments
- Security challenges at chemical facilities
- Oil and gas activities on federal lands
- Postal Service transformation
- Rail security
- Federal real property
- Federal aviation management and modernization
- Pipeline safety
- Telecommunications

GOAL 2: Changing Security Threats and Challenges of Globalization

- Gulf War illnesses
- International broadcasting
- Border security
- Terrorist financing
- United Nations Oil-for-Food program
- Oversight of government-sponsored enterprises
- Securities and Exchange Commission operations
- Mutual funds
- Use of Reserve forces
- Destruction of chemical weapons
- Mail delivery to deployed troops
- Defense personnel clearances
- Unmanned aerial vehicles
- Military base closures
- Operations in Iraq
- Challenges in inspecting oceangoing cargo containers
- Homeland security advisory system
- Security at nuclear facilities
- Counterfeit identities
- Information security
- Critical infrastructure protection
- International defense sales
- U.S. Army combat systems
- Military aircraft
- Defense's space systems
- National strategy for homeland security

GOAL 3: Transforming the Federal Government's Role

- Army Reserve and Army National Guard pay
- Defense contractor tax system abuses
- Fraudulent diplomas
- Illicit Internet pharmacies
- Information technology management
- Information technology continuity of operations
- Electronic government
- Border and transportation security
- Electronic voting
- Abusive tax shelters
- Diversity among senior federal executives
- Transformation of the federal government
- Long-term federal budget issues
- Office of Management and Budget's Program Assessment Rating Tool
- The impact of the Government Performance and Results Act
- District of Columbia government
- Federal financial management and fiscal challenges
- Federal purchase and travel cards
- Excess Defense property
- Space shuttle program
- Defense contract management

Source: GAO.

Table 6: Actual Performance and Targets Related to Our People Measures

Performance measures	2000 actual	2001 actual	2002 actual	2003 actual	2004 actual	2005 target
New hire rate	N/A	N/A	96%	98%	98%	97%
Acceptance rate	N/A	N/A	81%	72%	72%	75%
Retention rate[a]						
With retirements	91%	91%	91%	92%	90%	90%
Without retirements	94%	95%	97%	96%	95%	94%
Staff development[b]	N/A	N/A	71%[c]	67%[d]	70%	72%
Staff utilization[b]	N/A	N/A	67%	71%	72%	74%
Leadership[b]	N/A	N/A	75%	78%	79%	80%
Organizational climate[b]	N/A	N/A	67%	71%	74%	75%

Source: GAO.

Note: We have set targets for these performance measures for the first time in fiscal year 2005. N/A indicates that the data are not available.

[a]In our performance plan for fiscal year 2005, we showed the target for retention rate with retirements. Subsequently, we decided to report retention rates with and without retirements.

[b]These measures are based on responses to selected questions on an annual employee survey. We began administering this survey in 2002. See p. 16 for a brief definition of each measure and pp. 71-76 for more detailed information. On the basis of past and expected future performance, we revised the targets for these measures after we issued our fiscal year 2005 performance plan. The targets increased from 70 percent for staff development, staff utilization, and organizational climate and increased from 75 percent for leadership.

[c]This percentage does not include employee responses to questions about our computer-based training courses that were added to our curriculum of in-house training in April 2004.

[d]This percentage includes our computer-based training courses. We recomputed this number after we had issued our performance plan for fiscal year 2005; the percentage decreased from 72 percent as a result.

GAO's High-Risk Program

In tandem with our reviews of federal programs that the Congress mandates or requests us to perform, we also focus resources on selected federal programs and certain broad areas of the federal government that are more vulnerable to waste, fraud, abuse, and mismanagement than other programs or have major challenges associated with their economy, efficiency, or effectiveness. Since 1993, we have identified these high-risk programs in our high-risk updates issued to coincide with the start of each new Congress. This work is very important because it further helps to improve the performance and accountability of the federal government.

Our high-risk updates list government programs and operations in need of special attention or transformation to ensure that the federal government operates in the most economical, efficient, and effective manner possible. Our latest report, released in January 2003, spotlights more than 20 troubled areas across government. Many of these areas involve essential government services, such as Medicare, housing programs, and postal service operations, that directly affect the well-being of the American people.

In fiscal year 2004, we issued 218 reports and delivered 96 testimonies related to our high-risk areas and programs, and our work involving these areas resulted in financial benefits totaling over $20 billion. This work, for example, included 13 reports and 10 testimonies examining problems with DOD's

financial management practices, such as weak internal controls over travel cards, inadequate management of payments to the Navy's telecommunications vendors, and abuses of the federal tax system by DOD contractors, resulting in $2.7 billion in financial benefits. In addition, we documented $700 million in financial benefits based on previous work related to modernizing federal disability programs and produced 7 reports and 4 testimonies focusing on, for example, improving Social Security Administraton (SSA) and Department of Energy processes that result in inconsistent disability decisions and inconsistent benefit outcomes.

Over the years, agencies have made strong efforts to address the deficiencies cited in our high-risk reports, and some have improved enough to be removed from the list (e.g., farm loan programs). We have also identified other areas of high risk including challenges faced by government programs and operations in need of broad-based transformations, such as strategic human capital management.

We plan to issue our next high-risk update early in 2005. To learn more about our work on the high-risk areas or to download the January 2003 update in full, go to www.gao.gov/pas/2003/.

Building Partnerships

In fiscal year 2004, we began to explore indicators that could help us measure how well we develop mutually beneficial relationships with other accountability organizations. Such partnerships are important because they create opportunities for collaboration and cooperation that help all organizations involved address common challenges and enhance their ability to improve government operations and serve the public better. Moreover, these partnerships allow us and other organizations to make meaningful changes in our internal accountability processes and policies as well as leverage available resources. Currently we have established key partnerships with a variety of organizations such as the National Academies, the International Organization of Supreme Audit Institutions (INTOSAI), the National Intergovernmental Audit Forum, the Governmental Accounting Standards Advisory Committee, the Partnership for Public Service (which now includes the Private Sector Council), the Council for Excellence in Government, and the Woodrow Wilson International Center for Scholars; professional associations such as the Association of Government Accountants; and various GAO advisory groups. (For more information about these partnerships, see Strategies and Challenges later in this section of the report.) In the coming years, we will attempt to identify data needed to set a baseline for qualitative measures that will help us assess our performance in developing and maintaining partnerships, encouraging good government practices, and producing results that benefit the American people.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2004 Performance Goals

Our financial statements for fiscal year 2004 received an unqualified opinion from an independent auditor. The auditor found our internal controls to be effective—which means that no material weaknesses were identified—and the auditor reported substantial compliance with the requirements for financial systems in the Federal Financial Management Improvement Act of 1996. The auditor also found no instances of noncompliance with the laws or regulations in the areas tested. The statements and their accompanying notes, along with the auditor's report, appear later in this report. Table 7 summarizes key data. Compared with the statements of large and complex agencies in the executive branch, our statements present a relatively simple picture of a small yet important agency in the legislative branch. We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the human capital needed for our mission of supporting the Congress with professional, objective, fact-based, nonpartisan, and nonideological information and analysis.

Table 7: GAO's Financial Highlights: Resource Information (dollars in millions)

	Fiscal year 2003	Fiscal year 2004
Total budgetary resources[a]	$474.3	$487.5
Total outlays[a]	$451.3	$469.0
Net cost of operations		
Goal 1: well-being and financial security of the American people	$186.4	$194.7
Goal 2: changing security threats and challenges of globalization	122.0	131.7
Goal 3: transforming the federal government's role	144.9	145.8
Goal 4: maximizing the value of GAO	20.0	23.4
Less reimbursable services not attributable to goals	(2.2)	(5.5)
Total net cost of operations[a]	$471.1	$490.1
Actual full-time equivalents	3,269	3,224

Source: GAO.

[a]The net cost of operations figures include nonbudgetary items, such as imputed pension and depreciation costs, which are not included in the figures for total budgetary resources or total outlays.

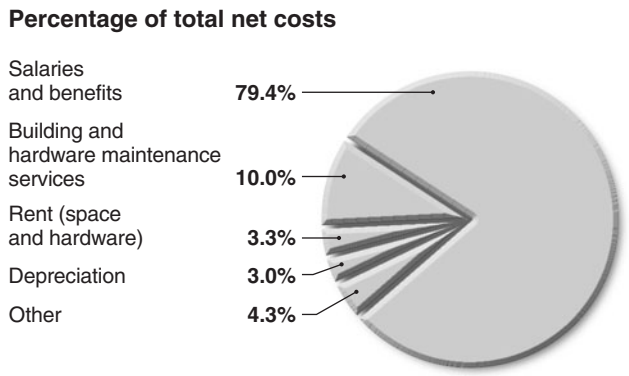
Our budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. For fiscal year 2004, our total budgetary resources increased by $13.2 million from fiscal year 2003. This increase consists primarily of funds needed to cover mandatory and uncontrollable costs.

Our total assets were $118.2 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. The largest dollar change in our assets was in property and equipment, which decreased in fiscal year 2004 as a result of normal depreciation amounts being greater than asset purchases. Total liabilities of $84.7 million were composed largely of employees' accrued annual leave, amounts owed to other government agencies, accounts payable, and employees' salaries and benefits. The greatest changes in the liabilities were an increase in salaries and benefits and a decrease in capital lease liability. The increase in salaries and benefits liability is a result of two additional days of payroll accrual. There were 9 days of accrued payroll for fiscal year 2004 versus 7 days accrued at the end of fiscal year 2003. The decrease in capital lease liability is a result of making final lease payments for a substantial number of agency laptop computers during fiscal year 2004 that continue to be used in fiscal year 2005.

The net cost of operating GAO during fiscal year 2004 and fiscal year 2003 was approximately $490 million and $471 million, respectively. Expenses for salaries and related benefits accounted for 79 percent of our net cost of operations in both fiscal years. Figure 16 shows how our fiscal year 2004 costs break down by category.

We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Goal 2 accounted for the greatest dollar increase in our net cost of operations between fiscal year 2003 and fiscal year 2004. The increase is due to a redistribution of resources from goals 1 and 3 for homeland security efforts. The increase in goal 4 is primarily related to our efforts to enhance IT systems security and enterprise architecture.

Figure 16: Use of Funds by Category

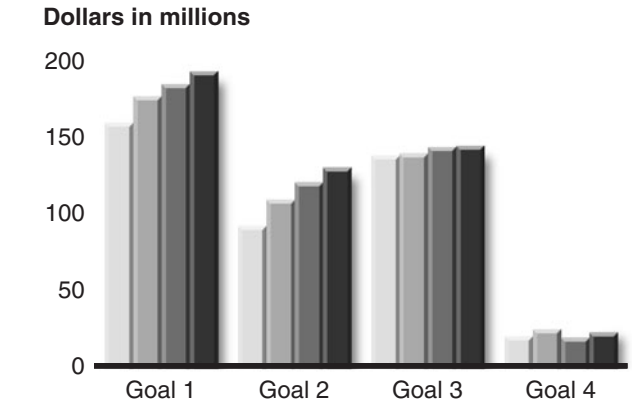


Source: GAO.

Figures 17 and 18 show our net costs by goal for fiscal year 2003 through fiscal year 2004. Figure 17 shows costs unadjusted for inflation, while figure 18 shows the same costs in 2004 dollars, that is, adjusted for inflation.

As these figures indicate, our first goal, under which we organize our work on challenges to the well-being and financial security of the American people, accounted for the largest share of the costs. We expect this goal to continue to represent the largest share of costs.

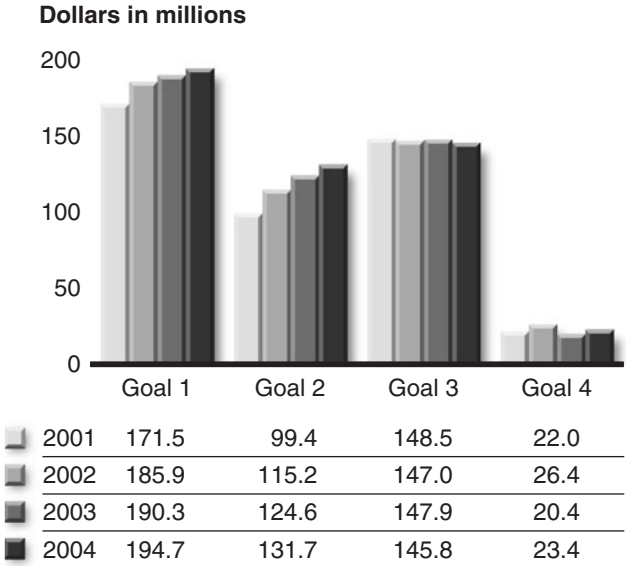
Figure 17: Net Cost by Goal, Unadjusted for Inflation



	Goal 1	Goal 2	Goal 3	Goal 4
2001	161.1	93.4	139.5	20.7
2002	178.3	110.5	141.0	25.3
2003	186.4	122.0	144.9	20.0
2004	194.7	131.7	145.8	23.4

Source: GAO.

Figure 18: Net Cost by Goal, Adjusted for Inflation



	Goal 1	Goal 2	Goal 3	Goal 4
2001	171.5	99.4	148.5	22.0
2002	185.9	115.2	147.0	26.4
2003	190.3	124.6	147.9	20.4
2004	194.7	131.7	145.8	23.4

Source: GAO.

Audit Advisory Committee

Assisting the Comptroller General in overseeing the effectiveness of GAO's financial operations is a three-member external Audit Advisory Committee. The committee's report for fiscal year 2004 appears after our financial statements and accompanying notes. Current members of the committee are

- Sheldon S. Cohen (Chairman), a certified public accountant and practicing attorney in Washington, D.C., a former Commissioner and Chief Counsel of the Internal Revenue Service, and a Senior Fellow of the National Academy of Public Administration.
- Edward J. Mazur, CPA; Member of the Governmental Accounting Standards Board, former State Comptroller of Virginia, and a former Controller of the Office of Federal Financial Management in the Office of Management and Budget (OMB).
- Charles O. Rossotti, senior advisor at The Carlyle Group; former Commissioner of the Internal Revenue Service; and founder and former Chief Executive Officer and Chairman of American Management Systems, Inc., an international business and information technology consulting firm.

Limitation on Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements in this report rests with our managers. The statements were prepared to report our financial position and results of operations, consistent with the requirements of the Chief Financial Officers Act, as amended (31 U.S.C. 3515). The statements were prepared from our financial records in accordance with the formats prescribed in OMB's Bulletin 01-09, *Form and Content of Agency Financial Statements*. These financial statements differ from the financial reports used to monitor and control our budgetary resources. However, both were prepared from the same financial records.

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

Planned Resources to Achieve Our Fiscal Year 2005 Performance Goals

As we go to press on this report, the Congress has not yet completed action on our fiscal year 2005 budget, and we, like most other federal government agencies, are operating at fiscal year 2004 levels under a continuing resolution through November 20, 2004, pending enactment of the fiscal year 2005 appropriations bills for the federal government. We requested $486 million—an increase of 4.9 percent over our fiscal year 2004 budget authority—primarily to cover annual pay and related costs, estimated inflationary increases, and certain other items. At this time the House has approved a 3.8 percent increase and the Senate 3 percent. When the Congress returns in November, it is expected to develop an omnibus appropriations bill combining nondefense activities, including funding for us. Table 8 reflects the requested budget level and full-time equivalent (FTE) positions. Once final appropriations decisions are enacted, we will adjust our resources to reflect the appropriated amount.

In addition to salaries and expenses, we intend to invest resources in addressing our key management challenges: human capital and information and physical security. For example, on the human capital front, to ensure our ability to attract and retain high-quality staff, we plan to continue staff recruitment, succession planning, retention, and recognition programs. We also plan to continue efforts to update our training curriculum to strengthen performance in the competencies contained in our revised performance management systems, address organizational and technical needs, and maximize staff productivity and effectiveness. In addition, we will continue efforts to implement new human capital authorities included in legislation recently enacted by the Congress, including a more market-oriented and performance-based compensation system.

Table 8: Fiscal Year 2005 Resources by Strategic Goal Based on Budget Request (dollars in millions)

Strategic goal	FTEs	Amount
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	1,069	$163
Goal 2		
Provide timely, quality service to the Congress and the federal government to respond to changing threats and the challenges of global interdependence.	798	122
Goal 3		
Help transform the federal government's role and how it does business to meet 21st century challenges.	844	130
Goal 4		
Maximize the value of GAO by being a model federal agency and a world-class professional services organization.	562	71
Total	**3,273**	**$486**

Source: GAO.

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

Strategies and Challenges

The Government Performance and Results Act directs agencies to articulate not just goals, but also strategies for achieving those goals. As detailed in the following sections, our strategies primarily emphasize conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. Our strategies also emphasize the importance of two overarching approaches: (1) working with other organizations on crosscutting issues and (2) effectively addressing the challenges to achieving our agency's goals—that is, those internal and external factors that could impair our performance.

Strategies for Achieving Our Goals and Coordinating with Others

As the audit, evaluation, and investigative arm of the Congress, we have a unique role to play. Within the legislative branch, we are the only agency with staff in the field, conducting performance analyses and financial audits, among other congressionally requested activities, and reporting our findings not only to our congressional clients but also to the American public. While we work with the inspectors general at every federal agency, our engagements typically differ from theirs in that ours are often more strategic, complex, crosscutting (governmentwide or multi-agency in scope), longer-range in nature, and initiated by requests from the Congress.

Attaining 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 in carrying out its constitutional responsibilities, including

- evaluating federal policies and the performance of agencies;
- overseeing government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigating whether illegal or improper activities are occurring;
- analyzing the financing for government activities;
- conducting various constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward positive results;
- providing legal opinions that determine whether agencies are in compliance with applicable laws and regulations;
- conducting policy analyses to assess needed actions and the implications of proposed actions; and
- providing additional assistance to the Congress in support of its oversight and decision-making responsibilities.

The performance goals lay out the work we plan to complete by the end of fiscal year 2005 using the strategies above (the performance goals are shown in Part II of this report). In our annual performance plan for fiscal year 2006, we will discuss our performance goals covering the work we plan to do in fiscal year 2006.

Because achieving our strategic goals and objectives also requires strategies for coordinating with other organizations with similar or complementary missions, we

- use advisory panels and other bodies to inform our strategic and annual work planning and,
- initiate and support collaborative national and international audit, technical assistance, and other knowledge-sharing efforts.

These two types of strategic working relationships allow us to extend our institutional knowledge and experience, to leverage our resources, and, in turn, improve our service to the Congress and the American people. Our office of Strategic Planning and External Liaison takes the lead and provides strategic focus for the work with external partner organizations, while our research, audit, and evaluation teams lead the work with most of the issue-specific organizations.

Strategic and Annual Work Planning

Through a series of forums, advisory boards, and panels; periodic environmental scans; and our speakers' series, we gather information and perspectives for our strategic and annual performance planning efforts. In fiscal year 2004, the Comptroller General convened various experts from the public, private, and nonprofit sectors in a series of forums and panels intended to enhance our understanding of emerging issues and to identify opportunities for action:

- In November 2003, we hosted a forum entitled High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment and issued a report summarizing the discussion in February 2004.
- In April 2004, we convened a forum on human capital and civil service reform, the results of which were reported in November 2004.
- In January 2004, we held a forum on health care entitled Unsustainable Trends Necessitate Comprehensive and Fundamental Reforms to Control Spending and Improve Value and summarized in a May 2004 report the results of this discussion.
- In April 2004, we conducted a forum entitled Workforce Challenges and Opportunities for the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies and in June 2004 we issued highlights of the forum.
- In July 2004, we convened a forum on financial literacy with a report forthcoming before the end of November 2004.
- Throughout 2004, we held six sessions of our speakers' series Conversations on 21st Century Challenges, wherein prominent leaders discuss emerging themes and their implications for public policy.

Advisory boards and panels also support our strategic and annual work planning by alerting us to issues, trends, and lessons learned across the national and international audit community that we should factor into our own work. These groups include the Comptroller General's Advisory Board, whose 40 members from the public and private sectors have broad expertise in areas related to our strategic objectives. The board meets with our leadership annually to share its views on our strategic direction and specific initiatives. Through the National Intergovernmental Audit Forum, chaired by the Comptroller General, and 10 regional intergovernmental audit forums, we consult regularly with federal inspectors general and state and local auditors. In addition, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information and seek opportunities to collaborate.

We also work with a number of issue-specific and technical panels to improve our strategic and annual work planning, including the following:

- The Advisory Council on Government Auditing Standards provides us guidance on promulgating auditing standards. These standards articulate auditors' responsibilities when examining government organizations, programs, activities, or functions and government assistance received by contractors, nonprofits, and other nongovernment organizations. The council's work ensured that the revised standards would be generally accepted and feasible.
- The Accountability Advisory Council, made up of experts in the financial management community, advises us on audits of the U.S. government's consolidated financial statements and emerging issues involving financial management and accountability reporting.
- The Executive Council on Information Management and Technology, whose 19 members are experts from the public and private

sectors and representatives of related professional organizations, help us to identify high-risk and emerging issues in the IT arena.

- The Comptroller General's Educators' Advisory Panel, composed of deans, professors, and other academics from prominent universities across the United States, advises us on recruiting, retaining, and developing staff and strategic planning matters.

Internationally, we participate in INTOSAI—the professional organization of the national audit offices of 184 countries. During 2004, we led a 10-nation task force that developed a 5-year strategic plan—the first in INTOSAI's 50-year history. The plan was unanimously endorsed by INTOSAI's Governing Board and unanimously adopted by the INTOSAI Congress this fall. It provides a blueprint for a major transformation of INTOSAI and a structure and rationale that will facilitate member institutions' strategic engagement in INTOSAI in a way that maximizes contributions while minimizing resources.

Collaborating with Others

By collaborating with numerous organizations and individuals, we have strengthened professional standards, provided technical assistance, leveraged resources, and developed best practices. In our work with INTOSAI, we chair the accounting and reporting committee and we are an active member of INTOSAI's auditing standards, internal control standards, and other technical committees. We also publish INTOSAI's quarterly *International Journal of Government Auditing* in five languages to further the global understanding of standards, best practices, and technical issues. To help ensure that the public sector perspectives are reflected in the International Federation of Accountants standards development project, we are collaborating closely with the International Auditing and Assurance Standards Board and the World Bank to develop international auditing standards through an effort led by the National Audit Office of Sweden.

To build capacity in national audit offices around the world, we conduct an international fellows training program each year for mid- to senior-level staff from other countries. In 2004, 22 fellows from Africa, Asia, Latin America, the Caribbean, and Eastern Europe spent about 4 months at GAO learning how we are organized to do our work, how we plan work, and what methodologies we use, particularly for performance audits. As part of our strategy to promote continuous learning and sustainability once the fellows return to their countries, we are working with major donors—such as the World Bank and the U.S. Agency for International Development—to identify or support relevant capacity-building projects in fellows' institutions. Six current and seven former Auditor Generals as well as several Deputy Auditor Generals, including the current chair of INTOSAI, are graduates of this program. Our partnerships with the Inter-American Development Bank, the INTOSAI Development Initiative, and two organizations whose members are Latin American and Caribbean audit institutions have resulted in the design and delivery of performance audit and information technology courses for our counterparts in Latin America.

Other collaborative activities undertaken by our staff during 2004 included the following:

- Conferring with the Private Sector Council, a nonprofit, nonpartisan, public service organization committed to helping the federal government improve its efficiency, management, and productivity through the cooperative sharing of knowledge. Council members have assisted us on a number of engagements. For example, the council assisted a GAO team that is examining best practices used by private sector companies to plan for, acquire, and manage telecommunications services. Late in fiscal year 2004, the Private Sector Council merged with the Partnership for Public Service, which is another of our external partner organizations.
- Assisting the Environmental Protection Agency's (EPA) IG and the Domestic Working Group in their collaborative review on information used by water utilities to conduct vulnerability assessments by identifying appropriate state and local participants contacts. EPA's IG issued the results of this collaborative effort in January 2004.
- Actively participating in four other Domestic Working Group collaborative efforts of federal, state, and local audit officials to address issues regarding access to records, grants management, long-term fiscal challenges, and governance.

- Leading the effort to develop the National Intergovernmental Audit Forum's first-ever strategic plan that will help maximize the organization's effectiveness in promoting good government and accountability at all levels of government. The task force working on the plan is composed of federal, state, and local auditors and an independent public accountant. The forum adopted a strategic plan framework, and it is anticipated that a final plan will be adopted in December 2004.

Using Our Internal Experts

We coordinated extensively within our own organization on our strategic and annual performance planning efforts, as well as on the preparation of our performance and accountability reports. Our efforts are completed under the overall direction of the Comptroller General and the Chief Operating Officer. We relied on our Chief Administrative Officer/Chief Financial Officer and her staff to provide key information, such as the financial information that is included in Part III of this report. Her staff also coordinated with others throughout the agency to provide the information on goal 4's results, which appears in Part II of this report, and provided input on other efforts dealing with issues that include financial management, budgetary resources, training, and security. We obtained input on all aspects of our strategic and annual performance planning and reporting efforts from each of our engagement teams and organizational units through their respective managing directors, as well as other staff responsible for planning or engagement activities in the teams. QCI staff prepared the report, ensuring, among other things, that the report was responsive to comments and suggestions received from the Association of Government Accountants and other reviewers. In short, we involved virtually every part of GAO and used our internal expertise in our planning and reporting efforts.

Addressing Management Challenges That Could Affect Our Performance

At GAO, management challenges are identified by the Comptroller General and the agency's senior executives through the agency's strategic planning, management, and budgeting processes. Our progress in addressing the challenges is monitored through our annual performance and accountability process. Under our strategic goal 4, we establish performance goals focused on each of our management challenges, track our progress in completing the key efforts for those performance goals quarterly, and report at 2-year intervals whether the performance goals have been met or not met. We have also asked our IG to examine management's assessment of the challenges and the agency's progress in addressing them, and our IG's assessment can be found in this report in the section entitled From the Inspector General.

In fiscal year 2004, we had three major management challenges—human capital, physical security, and information security. We have reported in the past on our efforts to address these challenges. Although we have made progress with these challenges, we still have work to do.

The Human Capital Challenge

Given our role as a key provider of professional and objective information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. We spend about 80 percent of our resources on our people, but without excellent human capital policies and management practices, we could run the risk of being unable to meet the expectations of the Congress and the American people.

During fiscal year 2004, we continued to make significant improvements in our human capital management. Provisions in the newly enacted GAO Human Capital Reform Act of 2004, signed into law on July 7, 2004, provide GAO a number of human capital tools and flexibilities that better position the agency to serve the Congress. These provisions, among others, include decoupling GAO from the across-the-board pay adjustment system applicable to much of the executive branch; amending pay retention rules for employees affected by a workforce restructuring, reclassification, or other action; creating a executive exchange program with the private sector; and making permanent our early retirement and buy-out authorities.

We completed our first separate strategic plan for human capital (*GAO: Human Capital Strategic Plan, Fiscal Years 2004-2006*). The purpose of the plan is to communicate both internally and externally GAO's strategy for becoming a model

professional services organization, including how we plan to attract, retain, motivate, and reward a high-performing and top-quality workforce. Published in September 2004, the plan is posted on GAO's Web site.

We also built on our fiscal year 2003 accomplishments in attracting and retaining a diverse workforce with the knowledge, skills, and abilities to meet the new century's challenges. Among other things, in fiscal year 2004 we expanded the use of the Academic Achievement Program to hire college graduates with records of superior academic achievement; increased the number of internships; and used direct-hire, short-term, and time-limited appointing authorities like the Visiting Fellows Program to fill gaps identified during our workforce planning effort. Our intern program focuses on attracting student interns with the skill sets needed for our analyst positions, since many of our interns are hired as entry-level employees upon successful completion of their internships. To promote the retention of staff with critical skills and 1 to 3 years of GAO experience, we offered student loan repayments for the third year in a row in exchange for commitments to federal service. In accordance with Office of Personnel Management regulations, we disbursed repayments of between $5,000 and $6,000 (or the full amount of the loan if the individual's balance was less than $5,000) directly to lending institutions during fiscal year 2004 for 236 employees, each of whom signed a 3-year agreement to continue working at GAO.

In addition, we made some significant changes to GAO's performance management systems. A new competency-based appraisal system for our administrative and professional support staff was instituted. This new system establishes a clear link between employee performance and GAO's mission, core values, and strategic objectives. We converted all administrative and professional support staff to a broadband pay system and began the first year of performance-based pay, removing these GAO staff from the General Schedule. In addition, on the basis of feedback from GAO managers and staff, we implemented a number of improvements to the analysts' competency-based performance management system. For example, we shortened the processing time for appraisals, pay, and promotion decisions; eliminated some of the narrative requirements to make the process less burdensome; and developed a plan to replace pay categories with individualized pay decisions.

Finally, to ensure that GAO staff have the knowledge and expertise to meet our goals and objectives, we developed 14 new courses as part of our competency-driven curriculum and initiated a leadership development program to address the needs of new supervisors. We also provided GAO staff "just-in-time" access to learning through over 900 courses and almost 60 skill simluations available online and accessible from GAO or home at any time of day.

The Physical Security Challenge

In the aftermath of the September 11 terrorist attacks, subsequent anthrax incidents, and Operation Enduring Freedom and Afghanistan operations, our ability to provide a safe and secure workplace was challenged. Protecting our people and our assets is critical to our ability to carry out our mission. We devoted additional resources to this area and implemented measures, such as upgrading the headquarters fire alarm system and installing a parallel emergency notification system. We also designed several security enhancements that are currently under way such as the installation of a wall and bollards around the perimeter of the headquarters building. The remaining upgrades, which include vehicle restraints at the guard ramps, ballistic-rated security guard booths, vehicle surveillance equipment at the garage entrances, and state-of-the-art electronic security, will be installed during fiscal year 2005. We previously distributed a Shelter in Place plan for headquarters staff, an *Emergency Response Handbook* for staff, and provided emergency preparedness briefings for staff. In fiscal year 2004, we updated the Shelter in Place plan for headquarters, updated the Emergency Response Handbook for staff, and prepared Shelter in Place plans for the field offices that will be distributed during the first quarter of fiscal year 2005. We continue to hold annual security fair seminars to disseminate information on security and emergency preparedness at the workplace and at home. During fiscal year 2004, we developed a continuity-of-operations plan that we plan to issue during the first quarter of fiscal year 2005. As part of our plan to ensure our continuity of operations should we have to vacate

our headquarters because of an emergency, we identified an alternative facility to house our continuity-of-operations team.

The Information Security Challenge

Protecting our information assets and ensuring information systems security and disaster recovery that allow for continuity of operations is a critical requirement for us. The risk is that in an emergency, our information could be compromised and we would be unable to respond to the needs of the Congress. In light of this risk, and in keeping with our goal of being a model federal agency, we have a wide range of initiatives under way to strengthen and protect the security of our information systems and data, including our financial systems. We have undertaken several projects that have significantly improved our information security program during fiscal year 2004. For example, we completed the revision of the IT Security Policy Order. We added a second external firewall to the GAO architecture. The additional layer of security provided by this firewall enhances our ability to identify and stop potential hackers and improve the service to our customers. To better secure our computing assets within GAO, we are completing the implementation of internal firewalls to the core switches and each field office. We also instituted a process to scan the computer system for vulnerabilities and potential exploitation. We established a Security Operations Center responsible for the daily monitoring of security devices within our IT infrastructure. Daily reports identify potential threats to GAO that require investigation to ensure our environment is uncompromised. In addition, we are continually refining our disaster recovery procedures and have conducted some limited testing exercises during fiscal year 2004 to ensure the viability of our contingency plan. We have strategically positioned critical backup services at a remote location and have implemented a contingency Web-based portal to establish essential remote telecommunications links for GAO's client-server-based systems. As we refine our contingency processes and improve our services, we will be implementing additional technologies that mirror our current daily IT services during fiscal year 2005. More detailed information on our information security efforts is in Part IV.

Mitigating External Factors That Could Affect Our Performance

Several external factors could affect the achievement of our performance goals, including national and international developments and the resources we receive. Limitations imposed on our work by other organizations or limitations on the ability of other federal agencies to make the improvements we recommend are additional factors that could affect the achievement of our goals.

As the Congress focuses on unpredictable events—such as the global threat posed by sophisticated terrorist networks, international financial crises, or natural disasters—the mix of work we are asked to undertake may change, diverting our resources from some strategic objectives and performance goals. We can and do mitigate the impact of these events on the achievement of our goals in various ways:

- We are alert to possibilities that could shift the Congress's and, therefore, our priorities.
- We continue to identify in our products and meetings with the Congress conditions that could trigger new priorities.
- We quickly redirect our resources, when appropriate, so that we can deal with major changes that do occur.
- We maintain broad-based staff expertise so that we can readily address emerging needs.
- We perform self-initiated research on a limited number of selected topics.

Another external factor is the extent to which we can obtain access to certain types of information. With concerns about operational security being unusually high at home and abroad, we may have more difficulty obtaining information and reporting on sensitive issues. Historically, our auditing and information gathering has been limited whenever the intelligence community is involved. Nor have we had the authority to access or inspect records or other materials held by other countries or, generally, by the multinational institutions that the United States works with to protect its interests. Consequently, our ability to fully assess the progress being made in addressing national and homeland security issues may be hampered, and because some of our reports may be subjected to greater

classification reviews than in the past, their public dissemination may be limited. We will work with the Congress to identify both legislative and nonlegislative opportunities for strengthening our access authority as necessary and appropriate.

PART II

Performance Information

Source: See Image Sources.

Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2004 performance results. Teams supporting strategic goals 1, 2, and 3 worked on a variety of congressional requests, mandates, and research and development engagements that helped to improve the functioning and integrity of the federal government, resulting in significant benefits for millions of American taxpayers. In addition, our Goal 4 activities played a significant role in moving us toward our goal of being a world-class, professional services employer.

Goal 1 Results

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

Source: See Image Sources.

Goal 1 Overview

Our first strategic goal upholds our mission to support the Congress in carrying out its constitutional responsibilities by focusing on work that helps address the current and emerging challenges affecting the well-being and financial security of America's people and communities. Our eight objectives for this goal are to support congressional and federal efforts on

- the health needs of an aging and diverse population;
- the education and protection of the nation's children;
- the promotion of work opportunities and the protection of workers;
- a secure retirement for older Americans;
- an effective system of justice;
- the promotion of viable communities;
- responsible stewardship of natural resources and the environment; and
- a safe, secure, and effective national physical infrastructure.

To accomplish our work under these strategic objectives, we conducted audits, analyses, and evaluations of programs at major federal agencies and developed reports and testimonies on the efficacy and soundness of those programs. Much of our work was initiated in response to congressional requests and mandates.

As shown in table 9, we exceeded our fiscal year 2004 targets for all of the performance measures for this strategic goal.

Selected Work under Goal 1

Enhancing care and safety for nursing home residents: Our recommendations support improved oversight of nursing home fire safety, strengthened fire safety standards, and thorough investigations of any future multiple-death nursing home fires in order to reevaluate the adequacy of fire safety standards (see app. 1, item 1.24.C).

Modernizing federal disability programs: Our work supported sweeping changes to SSA's disability programs to foster applicants' return to work at all stages of its eligibility determination process and to improve the timeliness and consistency of its decision making and initiated actions that will improve quality assurance processes related to federal disability programs at SSA and VA (see app. 1, item 1.34.A).

Protecting Americans from identity theft: Our recent reports, testimonies, and recommendations have helped the Congress consider policy and management improvements that may not only better protect Americans from the financial effects of this crime but also help prevent potential terrorists from assuming false identities (see app. 1, item 1.44.C).

Improving the security of chemical facilities: We contributed to several congressional bills calling for increased security measures at chemical facilities nationwide that would help frame a national strategy for security at chemical facilities (see app. 1, item 1.63.C).

Fostering a more effective federal response to wildland fires: In more than 25 reports since 1999, our recommendations contributed to the enactment of the Healthy Forest Restoration Act of 2003 and to significant actions by the agencies to strengthen their wildland fire programs (see app. 1, item 1.66.C).

Ensuring that steps taken to ensure the security of commercial aviation are effective: Our reviews of the training and performance of passenger screeners and of controls to secure restricted airport areas from unauthorized access have helped strengthen commercial aviation security in the United States (see app. 1, item 1.82.C).

Implementing postal reforms to address structural and systemic deficiencies: We emphasized the urgent need for fundamental postal reforms to minimize the risk of a significant taxpayer bailout or dramatic postal rate increases (see app. 1, item 1.83.C).

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

Performance measure	2000 actual	2001 actual	2002 actual	2003 actual	2004 Target	2004 Actual	Met/ not met	2005 target
Financial benefits (dollars in billions)	$14.1	$8.9	$24.1	$23.6	$23.3	**$26.6**[a]	Met	$19.6
Other benefits	182	210	226	217	215	**252**	Met	240
New recommendations made[b]	435	396	524	557	328	**614**	Met	N/A
Testimonies	131	73	111	80	77	**85**	Met	78

Source: GAO.

Note: N/A means not applicable.

[a]The financial benefits for goals 1, 2, and 3 do not equal the agencywide total due to rounding.

[b]Beginning in fiscal year 2005, we will eliminate this measure. However, we will continue to track the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations.

To help us examine trends over time, we look at 4-year averages for all but one of these measures. Specifically, we do not look at averages for the percentage of past recommendations implemented because it is a composite that is drawn from a number of years rather than an annual percentage. These 4-year averages, which are shown in table 10, minimize the effect of an atypical result in any given year. This table indicates that the number of testimonies for goal 1 has declined since fiscal year 2000, while performance on other indicators has generally risen over time.

The following sections describe our performance in goal 1 for each of our quantitative performance measures and describe the targets for fiscal year 2005. This analysis is followed by a discussion of our multiyear qualitative performance goals.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2004 totaled $26.6 billion, exceeding the target of $23.3 billion by 14 percent. Five of these accomplishments, which are reported in detail in the goal 1 section of appendix 1, produced financial benefits that accounted for over 90 percent of goal 1's total. The largest of them, valued at $10.1 billion, arose from our recommendation to close a loophole to prevent the federal government from making matching payments to states above those intended by Medicaid. The other large financial benefits for this goal stemmed from efforts such as our work on the CPI, the Medicare program, recaptured funds from unexpended balances in HUD programs, and DOD programs.

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

Performance measure	2000	2001	2002	2003	2004
Financial benefits (dollars in billions)	$11.8	$11.9	$15.2	$17.7	$20.8
Other benefits	154	177	190	209	226
New recommendations made	336	367	426	478	523
Testimonies	121	114	110	99	87

Source: GAO.

Financial benefits valued at $10.1 billion arose from the implementation of our recommendation to close a loophole that had allowed unintended matching payments to states (see app. 1, item 1.6.A).

Because financial benefits often result from work completed in prior years, we set our fiscal year 2005 target on the basis of our assessment of the progress agencies are making in implementing our past recommendations. Our analysis indicates that financial benefits in the future are more likely to stem from our work in goals 2 and 3. We, therefore, have set a target of $19.6 billion for fiscal year 2005.

Other Benefits

Other tangible, nonfinancial benefits reported for goal 1 in fiscal year 2004 included 227 actions taken by federal agencies to improve their services and operations in response to our work and another 25 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 252 other benefits exceeded our target of 215 for the year by 17 percent. Some of our major accomplishments are reported in detail in the goal 1 section of appendix 1. For fiscal year 2005, we have increased the target to 240.

Examples of Goal 1's Other Benefits

Outreach to low-income Medicare beneficiaries: Our analysis helped the Congress include an outreach requirement in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 to notify low-income beneficiaries of the availability of new subsidies to assist with drug costs (see app. 1, item 1.3.A).

Administration of the food stamp program: Our work led to changes in two food stamp program options that will help ease the reporting burden for almost all participating households, help families transition from welfare to work, and may lower food stamp error rates (see app. 1, item 1.39.A).

Safety of underground storage tanks: Our work on underground storage tanks, including those at gasoline stations, has led to agency actions and proposed legislation to shore up systemic weaknesses and reduce the risk that these tanks will leak and cause significant environmental and health risks (see app. 1, item 1.55.A).

New Recommendations Made

We made recommendations on

- airliner cabin air quality,
- decommissioning nuclear power plants,
- improved coordination on managing endangered species,
- federal funding of public television,
- election-related voting irregularities, and
- improving the accuracy of responses to policy-oriented inquiries from Medicare providers.

During fiscal year 2004, we issued 614 new recommendations under goal 1 for additional improvements to government accountability, operations, and services, exceeding the target of 328 by 87 percent. We exceeded our target largely because of our increased emphasis on including recommendations related to our work. Since we began emphasizing the number of recommendations made, we have seen a steady increase in the number of products containing recommendations. Also, in some cases, our recommendations have been more specific, resulting in more recommendations per product. As explained in Part I of this report, we are discontinuing number of recommendations made as a performance measure and will focus more on the percentage of products containing recommendations as a measure. However, we will continue to monitor our recommendations internally.

Testimonies

Our witnesses testified at 85 congressional hearings related to this strategic goal, which exceeded the fiscal year 2004 target of 77 testimonies by 10 percent. Among the testimonies given were those on student loan programs, Social Security reform, Medicare spending, private health insurance, farm program payments, and transportation security (see p. 33 of this report for a more complete list of testimony topics by goal). On the basis of our assess-

ment of the potential need to testify on issues under this goal, we have set a target of presenting testimony at 78 hearings during fiscal year 2005.

Multiyear Performance Goals

As shown in table 11, at the close of fiscal year 2004, we are on track to meet 39 of the 40 performance goals for this strategic goal. We are not on track to meet the performance goal of assessing the administrative efficiency and effectiveness of the federal court and prison systems because we did not receive requests to perform work in this area and could not undertake self-initiated work because of resources being needed for work requested by the Congress in other areas.

Table 11: Strategic Goal 1's Multiyear Performance Goals, Fiscal Years 2004 and 2005

■ **On track to meet** ☐ **Not on track to meet**	**Strategic objective/**performance goal
1.1. The health needs of an aging and diverse population	
■	1.1.1. Evaluate Medicare reform, financing, and operations
■	1.1.2. Assess trends and issues in private health insurance coverage
■	1.1.3. Assess actions and options for improving the Department of Veterans Affairs' and the Department of Defense's health care services
■	1.1.4. Evaluate the effectiveness of federal programs to promote and protect the public health
■	1.1.5. Evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of bioterrorism
■	1.1.6. Evaluate federal and state program strategies for financing and overseeing long-term health care
■	1.1.7. Assess state experiences in providing health insurance coverage for low-income populations
1.2. The education and protection of the nation's children	
■	1.2.1. Analyze the effectiveness and efficiency of early childhood education, care, and nutrition programs in serving their target populations
■	1.2.2. Assess options for federal programs to effectively address the educational and nutritional needs of elementary and secondary students
■	1.2.3. Determine the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations
■	1.2.4. Identify opportunities to better manage postsecondary, vocational, and adult education programs and deliver more effective services
1.3. The promotion of work opportunities and the protection of workers	
■	1.3.1. Assess the effectiveness of federal efforts to help adults leave welfare for work and to assist other low-income individuals
■	1.3.2. Analyze the impact of programs designed to maintain a skilled workforce and ensure employers have the workers they need
■	1.3.3. Assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing work environment
■	1.3.4. Identify ways to improve federal support for people with disabilities

■ On track to meet □ Not on track to meet	**Strategic objective/**performance goal
1.4. A secure retirement for older Americans	
■	1.4.1. Assess the policy challenges facing the future of the Social Security system and the need for reform
■	1.4.2. Bolster retirement security by identifying opportunities to foster greater pension coverage, raise personal saving, and increase the employment earnings of seasoned workers
■	1.4.3. Identify opportunities to improve the ability of government agencies to administer and protect workers' retirement benefits
■	1.4.4. Assess the role of the Social Security number in improving government operations, minimizing fraud and abuse, and protecting citizens from identity theft and other illegal activity
1.5. An effective system of justice	
■	1.5.1. Identify ways to improve federal agencies' ability to prevent and respond to terrorism and other major crimes
■	1.5.2. Assess the effectiveness of federal programs to control illegal drug use
■	1.5.3. Assess federal efforts to enforce immigration and customs laws
□	1.5.4. Assess the administrative efficiency and effectiveness of the federal court and prison systems
1.6. The promotion of viable communities	
■	1.6.1. Assess federal community and economic development assistance and its impact on communities
■	1.6.2. Assess the effectiveness of federal initiatives to assist small and minority-owned businesses
■	1.6.3. Assess how the federal government can balance the promotion of home ownership with financial risk
■	1.6.4. Assess federal efforts to enhance national preparedness and capacity to respond to and recover from natural and man-made disasters
■	1.6.5. Assess how well federal programs that support affordable housing meet objectives, manage financial risk, and improve recipients' well-being
1.7. Responsible stewardship of natural resources and the environment	
■	1.7.1. Assess the nation's ability to ensure reliable and environmentally sound energy for current and future generations
■	1.7.2. Assess federal strategies for managing land and water resources in a sustainable fashion for multiple uses
■	1.7.3. Assess environmental protection strategies and programs
■	1.7.4. Assess efforts to reduce the threats posed by hazardous and nuclear wastes
■	1.7.5. Assess federal programs' ability to ensure a plentiful and safe food supply, provide economic security for farmers, and minimize agricultural environmental damage

■ On track to meet ☐ Not on track to meet	**Strategic objective/**performance goal
1.8. A safe, secure, and effective national physical infrastructure	
■	1.8.1. Assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's transportation infrastructure challenges
■	1.8.2. Assess the impact of transportation and telecommunications policies and practices on competition and consumers
■	1.8.3. Assess federal government's role in fostering and overseeing telecommunications in the public interest
■	1.8.4. Assess efforts to improve safety in moving people and goods across the nation's transportation system
■	1.8.5. Assess efforts to improve security in all transportation modes
■	1.8.6. Assess the U. S. Postal Service's transformation efforts to ensure its viability and accomplish its mission
■	1.8.7. Assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets

Source: GAO.

Note: In indicating whether we are on track to meet a performance goal, the responsible senior executive considers the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts is likely to lead to achieving the performance goal. To view the 155 key efforts for the 40 performance goals above, go to http://www.gao.gov/sp.html.

Goal 2 Results

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

Source: See Image Sources.

Goal 2 Overview

The federal government is working to promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the United States and its allies while also seeking to anticipate and address emerging threats to the nation's security and economy. Given the importance of these efforts, our second strategic goal focuses on helping the Congress and the federal government respond to changing security threats and the challenges of global interdependence. Our four strategic objectives under this goal are to support congressional and federal efforts to

- respond to emerging threats to security,
- ensure military capabilities and readiness,
- advance and protect U.S. international interests, and
- respond to the impact of global market forces on U.S. economic and security interests.

To accomplish our work, we conducted field work related to federal programs that took us across five continents—Europe, Africa, Asia, South America, and North America. We subsequently developed reports, testimonies, and briefings on our work, most of which were initiated in response to congressional requests and mandates.

As shown in table 12, we met or exceeded our fiscal year 2004 targets for all of the performance measures for this strategic goal.

Selected Work under Goal 2

Improving security related to nuclear materials and facilities: in response to our recommendations, the U.S. Customs and Border Protection issued a comprehensive plan that will help the agency detect the smuggling of dangerous nuclear materials into the United States. Also, the Depatment of Energy ordered a reexamination of the potential size and capability of the terrorist forces against which the agency must successfully defend its nuclear weapons facilities (see app. 1, item 2.1.A and 2.20.C).

The military's aging fleet of aerial refueling aircraft: DOD concurred with our recommendation to study the potential for contractor-provided refueling support. DOD's subsequent actions should ensure that the fleet meets DOD's needs in the most cost-effective manner (see app. 1, item 2.23.C).

Strengthening the tools to fight terrorism: As a result of our recommendations on tools for fighting terrorism, the Department of State strengthened the visa application process, the Federal Bureau of Investigation initiated steps to improve data on mechanisms used by terrorists to finance their activities, and IRS accelerated its efforts to develop and implement procedures for sharing information with the states (see app. 1, item 2.37.A).

Overseeing the reconstruction of Afghanistan and Iraq: After we recommended that the U.S. Agency for International Development improve its reconstruction strategy for Afghanistan, the agency committed itself to developing a more comprehensive strategy to guide its efforts in Afghanistan. Our report on rebuilding Iraq provided important information about Iraq to American taxpayers and provided the Congress with key oversight questions as it assessed progress in rebuilding Iraq (see app. 1, item 2.48.C).

Protecting economic interests by improving oversight of federally supported financial institutions: The Congress developed legislation incorporating major features of our recommendations regarding the creation of a single government-sponsored enterprise regulator for housing that would be governed by a hybrid board and have both safety and soundness and mission oversight responsibilities (see app. 1, item 2.62.C).

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

Performance measure	2000 actual	2001 actual	2002 actual	2003 actual	2004 Target	2004 Actual	Met/ not met	2005 target
Financial benefits (dollars in billions)	$5.5	$10.5	$8.4	$7.1	$7.0	**$9.7**[a]	Met	$9.4
Other benefits	129	188	218	273	244	**369**	Met	300
New recommendations made[b]	376	618	618	846	602	**708**	Met	N/A
Testimonies	56	34	38	48	56	**70**	Met	52

Source: GAO.

Note: N/A means not applicable.

[a]The financial benefits for goals 1, 2, and 3 do not equal the agencywide total due to rounding.

[b]Beginning in fiscal year 2005, we will eliminate this measure. However, we will continue to track the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations.

To help us examine trends over time, we look at 4-year averages for all but one of our measures. Specifically, we do not look at averages for the percentage of past recommendations implemented because it is a composite that is drawn from a number of years rather than an annual percentage. These 4-year averages, which are shown in table 13, minimize the effect of an atypical result in any given year. Table 13 indicates that financial and other benefits derived from our work, as well as new recommendations made related to this goal, have risen. At the same time, the number of testimonies for goal 2 has remained fairly stable.

The following sections describe our performance in goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2005. This analysis is followed by a discussion of our multiyear qualitative performance goals.

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

Performance measure	2000	2001	2002	2003	2004
Financial benefits (dollars in billions)	$6.0	$6.2	$6.9	$7.9	$8.9
Other benefits	90	118	154	202	262
New recommendations made	279	373	467	615	698
Testimonies	46	43	41	44	48

Source: GAO.

Financial Benefits

A financial benefit of about $1.35 billion stemmed from our findings that DOD no longer needed funds for an operation that had ended after the budget request was submitted to Congress, but before the funds had been appropriated (see app.1, item 2.13.A).

The financial benefits reported for this goal in fiscal year 2004 totaled $9.7 billion, exceeding the target of $7.0 billion by over 39 percent. Most of the financial benefits (66 percent of the total) were attributable to four accomplishments valued at $500 million or more each. These accomplishments, which are described in detail in the goal 2 section of appendix 1, stemmed from engagements that improved funding of DOD's activities or reduced costs associated with DOD's operations.

Given the large portion of the U.S. budget that defense spending consumes, we expect our work under this goal to continue to produce economies and efficiencies that will yield billions of dollars in financial benefits for the American people each year. We set our fiscal year 2005 target at $9.4 billion—well above the target for fiscal year 2004—based on our assessment of the progress agencies are making in implementing our past recommendations that might yield financial benefits.

Other Benefits

The other tangible benefits reported for goal 2 in fiscal year 2004 included 343 actions taken by federal agencies to improve their services and operations in response to our work and another 26 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 369 other benefits exceeded our target of 244 for the year by 51 percent. Our success in this area arose from our increased emphasis on follow-up efforts and increased monitoring of our progress toward the targets throughout the year. Some of our major accomplishments are reported in detail in the goal 2 section of appendix 1.

Examples of Goal 2's Other Benefits

Improving the tracking of in-transit munitions shipments: as a result of our recommendations, DOD has initiated corrective actions and revised operating procedures that should provide the level of in-transit visibility required for munitions shipments and decrease their vulnerability to compromise (see app. 1, item 2.15.A).

Improving Trade Advisory Committee operations: Our recommendation that members of the Trade Advisory Committee take steps to quickly fill gaps on the committee led USDA—one member agency—to identify gaps in coverage that it then worked to fill, and several member agencies revised their processes to grant interim security clearances to committee advisers, if necessary, so that they could assist the committee while awaiting full clearance (see app. 1, item 2.54.A and 2.55.A).

Clarifying guidance on promoting tobacco: In response to our report that USDA's Foreign Agricultural Service had not issued guidance implementing tobacco-related restrictions since 1994, USDA has reviewed all of its ongoing activities, revised its reporting guidelines, and instructed overseas offices not to comment on tobacco product and price matters and to ensure that reported material is consistent with legislated restrictions (see app. 1, item 2.57.A).

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to raise our target to 300. While this target is lower than our fiscal year 2004 actual performance, it is well above the 4-year average for this measure.

New Recommendations Made

We made recommendations on

- continuity-of-operations plans for ensuring the delivery of essential government services,
- preventing foreign countries from obtaining classified spare parts or unclassified items containing military technology, and
- U.S. assistance to Afghanistan.

We issued 708 new recommendations for additional improvements to government accountability, operations, and services during fiscal year 2004, exceed-

ing the target of 602 by about 18 percent. As explained in Part I of this report, we are discontinuing number of recommendations made as a performance measure and will focus more on the percentage of products containing recommendations as a measure. However, we will continue to monitor our recommendations internally.

Testimonies

Our witnesses testified at 70 congressional hearings related to this strategic goal, exceeding our target of 56 hearings by 25 percent. Among other things, we testified on international broadcasting, terrorist financing, oversight of government-sponsored enterprises, mutual funds, cruise missiles, unmanned aerial vehicles, counterfeit identities, and security at nuclear facilities (see p. 33 of this report for a more complete list of testimony topics by goal). We have set our target for presenting testimony at hearings to 52 for fiscal year 2005.

Multiyear Performance Goals

As shown in table 14, at the close of fiscal year 2004, we are on target to meet 22 of our 23 performance goals for this strategic goal. We are not on track to meet the performance goal of identifying opportunities to embed homeland security concepts in ongoing national initiatives because our homeland security resources were needed for other work requested by the Congress and we did not have resources in the homeland security area to undertake self-initiated work related to this performance goal.

Table 14: Strategic Goal 2's Multiyear Performance Goals, Fiscal Years 2004 and 2005

■ On track to meet □ Not on track to meet	**Strategic objective/**performance goal
2.1. Respond to emerging threats to security	
■	2.1.1. Assess federal homeland security management, responsibility, effectiveness, and achievement of mission goals
■	2.1.2. Identify ways to strengthen strategies related to homeland security and their implementation
■	2.1.3. Evaluate homeland security resource priorities, costs, and approaches to stimulate desired investments
□	2.1.4. Identify opportunities to embed homeland security concepts in ongoing national initiatives
■	2.1.5. Evaluate ways to strengthen government information security and protect computer and telecommunications systems that support the nation's critical infrastructures
■	2.1.6. Assess the effectiveness of U.S. and international efforts to prevent the proliferation of nuclear, biological, chemical, and conventional weapons and sensitive technologies
2.2. Ensure military capabilities and readiness	
■	2.2.1. Assess DOD's ability of to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century
■	2.2.2. Assess overall human capital management practices to ensure a high-quality total force
■	2.2.3. Assess the ability of weapon system acquisition programs and processes to achieve desired outcomes
■	2.2.4. Identify ways to improve the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes
■	2.2.5. Assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile

■ On track to meet ☐ Not on track to meet	**Strategic objective/**performance goal
■	2.2.6. Assess whether DOD and the services have developed integrated systems, procedures, and doctrines to support joint and coalition forces on the battlefield safely and effectively
■	2.2.7. Analyze and support DOD's efforts to improve planning, programming, budgeting, execution, and program performance
2.3. Advance and protect U.S. international interests	
■	2.3.1. Analyze the plans, strategies, costs, and results of the United States and its allies in conflict interventions
■	2.3.2. Analyze the effectiveness and management of U.S. foreign aid and developmental and humanitarian programs and the tools used to implement them
■	2.3.3. Analyze the plans, costs, and outcomes of responding to challenges to U.S. strategic interests
■	2.3.4. Evaluate the extent to which U.S. interests are effectively served by U.S. participation in multilateral organizations
■	2.3.5. Assess the strategies and management practices for U.S. foreign affairs functions and activities
2.4. Respond to the impact of global market forces on U.S. economic and security interests	
■	2.4.1. Analyze how U.S. interests are served through trade agreements and U.S. programs
■	2.4.2. Improve understanding of the effects of a global industrial base on U.S. national security interests
■	2.4.3. Assess how the United States can influence improvements in the world financial system
■	2.4.4. Assess the ability of the financial services industry and its regulators to maintain a stable and efficient financial system in the face of market change and innovation
■	2.4.5. Assess the effectiveness of regulatory programs and policies in ensuring access to financial services and deterring fraud and abuse in financial markets

Source: GAO.

Note: In indicating whether we are on track to meet a performance goal, the responsible senior executive considers the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts is likely to lead to achieving the performance goal. To view the 88 key efforts for the 23 performance goals above, go to http://www.gao.gov/sp.html.

Goal 3 Results

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

Source: See Image Sources.

Goal 3 Overview

Our third strategic goal focuses on the collaborative and integrated elements needed for the federal government to achieve results. The federal government faces an array of challenges, including the national response to terrorism, transition to a knowledge-based economy, rapid technological advances, and changing demographics. These challenges require a fundamental reexamination of the government's priorities, processes, policies, and programs to effectively address shifting public expectations and needs. Moreover, addressing today's priorities must be balanced against the long-term fiscal pressures of financing existing programs and operations. In summary, the work under this goal highlights the intergovernmental relationships that are necessary to achieve national goals.

To ensure that we help transform the role of the government and how it does business to meet 21st century challenges, we have established the following four strategic objectives:

- reexamine the federal government's role in achieving evolving national objectives;
- support the transformation to results-oriented, high-performing government;
- support congressional oversight of key management challenges and program risks to improve federal operations and ensure accountability; and
- analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap.

To accomplish our work under these four objectives, we conducted audits, evaluations, and analyses in response to congressional requests and

Selected Work under Goal 3

Strengthening DHS's IT management: We helped strengthen the management of DHS's efforts to consolidate approximately 700 IT systems that support its 22 component agencies, and, in turn, helped DHS be in a better position to effectively leverage IT as a resource to achieving its challenging mission (see app. 1, item 3.32.C).

Improving accountability by revealing government costs for employee degrees from diploma mills: We highlighted the lack of uniform verification practices across the government for obtaining information on schools and their accreditation status to properly verify academic degrees or to avoid paying fees for degrees that are masked as training courses (see app. 1, item 3.49.C).

Deterring fraud by curtailing purchases of addictive pain medication through the Internet: Our testimony described how our investigators easily obtained a potentially dangerous and addictive narcotic pain medication without submitting a prescription or undergoing an examination by a physician (see app. 1, item 3.50.C).

Transforming and modernizing the accountability profession: We worked closely with the Public Company Accounting Oversight Board and other standards setters to promote and communicate major accountability reforms for publicly traded companies—reforms that are vital to safeguarding taxpayer and investor interests—and the applicability of those reforms to government entities (see app. 1, item 3.52.C).

Alerting the Congress to abusive tax shelters and schemes: We contributed to the debate on curbing abusive tax shelters and schemes by providing information on the nature of the problems and the challenges faced by IRS in combating them (see app. 1, item 3.58.C).

Auditing the U.S. government's financial statements: We fulfilled our responsibilities as principal auditor of the U.S. government's consolidated financial statements and improved the quality of the federal government's financial management and reporting (see app. 1, item 3.62.C).

Understanding the federal government's long-term fiscal imbalance: In concert with other budget experts, we called attention to the magnitude of the long-term fiscal challenge facing the federal government (see app. 1, item 3.63.C).

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

Performance measure	2000 actual	2001 actual	2002 actual	2003 actual	2004 Target	2004 Actual	Met/ not met	2005 target
Financial benefits (dollars in billions)	$5.1	$7.0	$5.2	$4.7	$4.7	**$7.6**[a]	Met	$8.5
Other benefits	503	401	462	553	441	**576**	Met	460
New recommendations made[b]	413	549	808	772	570	**1,468**	Met	N/A
Testimonies	105	42	65	56	57	**60**	Met	55

Source: GAO.

Note: N/A means not applicable.

[a]The financial benefits for goals 1, 2, and 3 do not equal the agencywide total due to rounding.

[b]Beginning in fiscal year 2005, we will eliminate this measure. However, we will continue to track the number of new recommendations made to ensure that teams supporting strategic goals 1 through 3 continue to plan and complete engagements that result in recommendations.

through work initiated under the Comptroller General's authority. As shown in table 15, we exceeded all of the performance targets for this strategic goal.

To help us examine trends over time, we look at 4-year averages for all but one of our measures. Specifically, we do not look at averages for the percentage of past recommendations implemented because it is a composite that is drawn from a number of years rather than an annual percentage. These 4-year averages, which are shown in table 16, minimize the effect of an atypical result in any given year. Table 16 indicates that financial benefits and number of testimonies for goal 3 have remained fairly stable while other benefits and new recommendations made related to this goal have risen.

The following sections describe our performance in goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2005. This analysis is followed by a discussion of our multiyear qualitative performance goals.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2004 totaled $7.6 billion, exceeding our target of $4.7 billion by over 62 percent. Under goal 3, we typically work on core government business processes and governmentwide management reforms. Our assessments of the executive branch's current efforts to implement the recommendations we made in our work under this goal indicate that financial benefits related to this goal are likely to increase; consequently, we set the target for financial benefits at $8.5 billion for fiscal year 2005.

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

Performance measure	2000	2001	2002	2003	2004
Financial benefits (dollars in billions)	$5.7	$5.3	$5.5	$5.5	$6.1
Other benefits	361	407	445	480	498
New recommendations made	383	439	526	636	899
Testimonies	90	86	78	67	56

Source: GAO.

Other Benefits

The other tangible benefits reported for goal 3 in fiscal year 2004 included 553 instances in which agencies' core business processes were improved or governmentwide management reforms were advanced as a result of our work. In addition, there were 23 instances in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 576 other benefits exceeded our target of 441 for the year by over 30 percent. The larger number of other benefits occurred mainly in our financial management and IT areas, where we tend to make multiple, specific recommendations for change to more than one entity. Some of our major accomplishments are reported in detail in the goal 3 section of appendix 1.

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to set a fiscal year 2005 target of 460 other benefits for goal 3.

Examples of Goal's Other Benefits

Addressing shortfalls in foreign language capability: Our work led the Department of State to adopt a results-oriented approach to human capital management for foreign language speakers. State also launched an initiative that will allow for longer language training, enhanced efforts to attract more qualified language speakers, and a plan to help meet the need for more people with higher levels of competence in all languages, especially those deemed critical to national security concerns (see app. 1, item 3.5.A).

Influencing federal acquisition rules: In response to our work, the Federal Acquisition Regulation Council adopted new rules that increase competitive quote requirements when agencies buy schedule services and require proper justification and higher-level approval of sole-source orders when competition is not possible—two actions that should result in best pricing under the General Services Administration's schedule (see app. 1, item 3.6.A).

Addressing NASA's workforce challenges: Our concerns about workforce issues facing NASA led to enactment of the NASA Flexibility Act of 2003 (Pub. L. No. 108-201), which gives NASA more flexibility to recruit and retain a highly skilled workforce (see app. 1, item 3.40.A).

While this target is lower than our fiscal year 2004 actual performance, it is higher than our fiscal year 2004 target and consistent with our 4-year average for this measure.

New Recommendations Made

We made recommendations on

- controlling costs of the 2010 Census;
- improving controls over DOD's travel cards to decrease losses related to unused airline tickets; and
- reducing vulnerability to improper, wasteful, and questionable government purchase card transactions.

We issued 1,468 new recommendations for additional improvements to government operations and services during fiscal year 2004, exceeding the target of 570 by 158 percent. Our success in this area was partly due to our making recommendations on multiple financial and information management topics that were more specific than in the past. As explained in Part I of this report, we are discontinuing number of recommendations made as a performance measure and will focus more on the percentage of products containing recommendations as a measure. However, we will continue to monitor our recommendations internally.

Testimonies

During fiscal year 2004, our witnesses testified at 60 congressional hearings related to this strategic goal, slightly exceeding the target of 57. Among the testimonies presented were those on Army Reserve and Army National Guard pay, tax system abuse by DOD contractors, diploma mills, federal purchase and travel cards, NASA's shuttle program, and DOD contract management (see p. 33 of this report for a more complete list of testimony topics by goal). For fiscal year 2005, we have set a target of presenting testimony at 55 hearings.

Multiyear Performance Goals

As shown in table 17, at the close of fiscal year 2004, we are on target to meet all of the 19 performance goals for this strategic goal.

Table 17: Strategic Goal 3's Multiyear Performance Goals, Fiscal Years 2004 and 2005

■ On track to meet □ Not on track to meet	**Strategic objective/**performance goal
3.1. Reexamine the federal government's role in achieving evolving national objectives	
■	3.1.1. Examine emerging challenges and opportunities to position the federal government for the 21st century
■	3.1.2. Develop new resources and approaches that can be used to assess the nation's position and progress
■	3.1.3. Explore ways to evaluate the effectiveness of the entire set of policy tools that the federal government uses to achieve national objectives
■	3.1.4. Assess how involvement of state and local governments and nongovernmental organizations affects federal program implementation and achievement of national goals
3.2. Support the transformation to results-oriented, high-performing government	
■	3.2.1. Analyze and support efforts to improve the human capital infrastructure key to the successful transformation of the government
■	3.2.2. Assess and support efforts to improve results-oriented management across the government
■	3.2.3. Analyze efforts to build high-performing organizations
■	3.2.4. Identify ways to improve the collection, dissemination, and quality of federal information
■	3.2.5. Identify ways to improve financial management infrastructure capacity to provide useful information for managing results and costs day to day
■	3.2.6. Assess the government's planning, implementation, and use of information technology to improve performance and modernize federal programs and operations
■	3.2.7. Identify ways to improve how federal agencies acquire goods and services
3.3. Support congressional oversight of key management challenges and program risks to improve federal operations and ensure accountability	
■	3.3.1. Highlight the federal programs and operations at highest risk and the major performance and management challenges confronting agencies
■	3.3.2. Assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property
■	3.3.3. Identify ways to strengthen accountability for the federal government's assets and operations

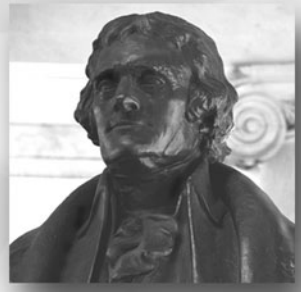
■ On track to meet ☐ Not on track to meet	**Strategic objective/**performance goal
3.4. Analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap	
■	3.4.1. Analyze the long-term fiscal position of the federal government
■	3.4.2. Analyze the structure and information for budgetary choices and explore alternatives for improvement
■	3.4.3. Contribute to congressional deliberations on tax policy
■	3.4.4. Support congressional oversight of the federal tax administration
■	3.4.5. Assess the reliability of financial information on the government's fiscal position and financing sources

Source: GAO.

Note: In indicating whether we are on track to meet a performance goal, the responsible senior executive considers the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts is likely to lead to achieving the performance goal. To view the 90 key efforts for the 19 performance goals above, go to http://www.gao.gov/sp.html.

Goal 4 Results

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



Source: See Image Sources.

Goal 4 Overview

The focus of our fourth strategic goal is to make GAO a model organization. For us, this means that our work is driven by our external clients and internal customers, our managers exhibit the characteristics of leadership and management excellence, our employees are devoted to ensuring quality in our work process and products through continuous improvement, and our agency is regarded by current and potential employees as an excellent place to work.

Our five strategic objectives are to

- continuously improve client and customer satisfaction and stakeholder relationships,
- lead strategically to achieve enhanced results,
- leverage GAO's institutional knowledge and experience,
- continuously enhance GAO's business and management processes, and
- become a professional services employer of choice.

The annual measures used to assess our performance under our external strategic goals are not applicable to this internal strategic goal, but the multiyear qualitative performance goals do apply.

Selected Work under Goal 4

Effectively using enhanced human capital tools and flexibilities: We supported legislation that gave us enhanced tools and flexibilities with which to hire, manage, and retain the world-class workforce we need to carry out our mission (see app. 1, item 4.10.C).

Improving our crosscutting business practices: We implemented initiatives that resulted in more efficient processes and cost savings for the agency and we implemented online learning technology to minimize training costs and provide our staff with flexibility in obtaining training (see app. 1, item 4.24.C).

As shown in table 18, at the close of fiscal year 2004, we are on track to meet all but one of the performance goals for this strategic goal. We are not on track to meet our performance goal of maximizing the collection, use, and retention of essential organizational knowledge. While we have completed substantial work for this performance goal, we do not think we will complete this work until after fiscal year 2005. Specifically, our work has been slower than we anticipated because anticipated funding was rescinded in fiscal year 2004 and some essential steps—such as developing prototypes and conducting pilot tests—have taken longer than we initially anticipated. We now plan to complete efforts under this performance goal during fiscal year 2006.

Table 18: Strategic Goal 4's Multiyear Performance Goals, Fiscal Years 2004 and 2005

■ On track to meet ☐ Not on track to meet	**Strategic objective/**performance goal
4.1.	**Continuously improve client and customer satisfaction and stakeholder relationships**
■	4.1.1. Strengthen communication with congressional clients and more broadly measure their satisfaction with GAO's work
■	4.1.2. Assess internal customer satisfaction with GAO's services and processes and implement and measure improvement efforts
■	4.1.3. Strengthen relationships with GAO's stakeholders and increase the accessibility of GAO's products
4.2.	**Lead strategically to achieve enhanced results**
■	4.2.1. Integrate planning, budgeting, and performance measurement to achieve enhanced results
■	4.2.2. Strengthen GAO's strategic human capital management to achieve enhanced results
■	4.2.3. Ensure exemplary practices and systems in GAO's fiscal operations
■	4.2.4. Strengthen IT governance practices and processes to achieve strategic results
4.3.	**Leverage GAO's institutional knowledge and experience**
☐	4.3.1. Maximize the collection, use, and retention of essential organizational knowledge
■	4.3.2. Increase GAO's knowledge-sharing capability
■	4.3.3. Enhance knowledge sharing with other national and international accountability and professional organizations
4.4.	**Continuously enhance GAO's business and management processes**
■	4.4.1. Improve engagement support services
■	4.4.2. Use enabling technology to improve GAO's crosscutting business processes
4.5.	**Become a professional services employer of choice**
■	4.5.1. Promote an environment that is fair and unbiased and that values opportunity and inclusiveness
■	4.5.2. Provide GAO staff with tools, technology, and a world-class working environment
■	4.5.3. Provide a safe and secure workplace
■	4.5.4. Enhance employee views about GAO
■	4.5.5. Improve the development and experiences of newly hired staff

Source: GAO.

Note: In indicating whether we are on track to meet a performance goal, the responsible senior executive considers the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts is likely to lead to achieving the performance goal. To view the 80 key efforts for the 17 performance goals above, go to http://www.gao.gov/sp.html.

Data Quality and Program Evaluation

Verifying and Validating Performance Data

Each year, we measure our performance by (1) evaluating our annual performance on measures that cover the outcomes and outputs related to our work results, client service, and management of our people and (2) assessing our progress in performing work related to the multiyear qualitative performance goals. To assess our performance in fiscal year 2004, we used performance data that were complete and actual (rather than projected) for all of our performance measures. We believe the data to be reliable because we followed the verification and validation procedures described here to ensure the data's quality.

The specific sources of the data for our annual performance measures and mutiyear qualitative performance goals, procedures for independently verifying and validating these data, and the limitations of these data are described in table 19.

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

Financial benefits	
Definition and background	Our work—including our findings and recommendations—may produce benefits to the federal government that can be estimated in dollar terms. These benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. A financial benefit is an estimate of the federal monetary effect of agency or congressional actions. These financial benefits generally result from work that we completed over the past several years. The funds made available as a result of the actions taken in response to our work may be used to reduce government expenditures, increase revenues, or reallocate funds to other areas. Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action. Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must file an accomplishment report documenting that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within 2 fiscal years prior to filing the accomplishment report, (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed, and (4) estimates of financial benefits were based on information obtained from third parties. Prior to fiscal year 2002, we limited the period over which the benefits from an accomplishment could be accrued to no more than 2 years. Beginning in fiscal year 2002, we extended the period to 5 years for certain types of accomplishments known to have multiyear effects such as those associated with multiyear reductions in longer-term projects, changes embodied in law, program terminations, or sales of government assets yielding multiyear financial benefits. For financial benefits involving events that occur on a regular but infrequent basis—such as the decennial census—we may extend the measurement period until the event occurs and then compute the associated financial benefits using GAO's present value calculator. In fiscal year 2002, we began requiring that all financial benefits be calculated in net present value terms. Managing Directors decide when their staff can claim financial benefits. A Managing Director may choose to claim a financial benefit all in one year or decide to claim it over several years especially if the benefit spans future years and the Managing Director wants greater precision as to the amount of the benefit.

Financial benefits	
Data sources	Our Accomplishment Reporting System provides the data for this measure. Teams use this Web-based data system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total financial benefits agencywide and by goal. All financial benefits are calculated in net present value.
Verification and validation	Our policies and procedures require us to use the Accomplishment Reporting System to record the financial benefits that result from our work. They also provide guidance on estimating those financial benefits. The teams identify when a financial benefit has occurred as a result of our work. Teams develop estimates based on third-party sources such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office and file accomplishment reports based on those estimates. The estimates are reduced by any identifiable offsetting costs. Teams develop work papers to support accomplishments with evidence that meets our evidence standard; supervisors review the work papers; and an independent person within GAO reviews the accomplishment report. The team's Managing Director or Director is authorized to approve financial accomplishment reports with benefits of less than $100 million. The team forwards the report to QCI where it reviews all accomplishment reports and approves accomplishment reports claiming benefits of $100 million or more. QCI provides summary data on approved financial benefits to unit managers, who check the data on a regular basis to make sure that approved accomplishments submitted by their staff have been accurately recorded. Our Engagement Review System also contains fiscal year 2004 accomplishment data. In fiscal year 2004, QCI approved accomplishment reports covering 95 percent of the dollar value of financial benefits we reported. Every year, our IG reviews accomplishment reports that claim benefits of $500 million or more. In addition, on a periodic basis, the IG independently tests compliance with our process for claiming financial benefits of less than $500 million. For example, for benefits documented during fiscal year 2003, the IG tested compliance with our process for claiming financial benefits of less than $100 million and determined that we have a reasonable basis for claiming these financial benefits. In fiscal year 2004 we used the same processes for claiming financial benefits in this category.
Data limitations	Not every financial benefit from our work can be readily estimated or documented as attributable to our work. As a result, the amount of financial benefits is a conservative estimate. Estimates are based on information from third parties and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.
Other benefits (nonfinancial)	
Definition and background	Our work—including our findings and recommendations—may produce other benefits to the federal government that cannot be estimated in dollar terms. These benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. Other (nonfinancial) benefits generally result from work that we completed over the past several years. Other benefits are linked to specific recommendations or other work that we completed over several years. To claim that other benefits have been achieved, our staff must file an accomplishment report that documents that (1) the actions taken as a result of our work have been completed or substantially completed; (2) the actions generally were taken within the past 2 fiscal years of filing the accomplishment report; and (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed.
Data sources	Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total other (nonfinancial) benefits agencywide and by goal.

Verification and validation	Our policies and procedures require us to use the Accomplishment Reporting System to record the other benefits that result from our findings and recommendations. Staff in the teams file accomplishment reports to claim that benefits have resulted from their work. Teams develop work papers to support accomplishments with evidence that meets our evidence standard; supervisors review the work papers; an independent person within GAO reviews the accomplishment report; and the team's Managing Director or Director approves the accomplishment report to ensure the appropriateness of the claimed accomplishment, including attribution to our work. The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on other benefits to unit managers, who check the data on a regular basis to make sure that approved accomplishments from their staffs have been accurately recorded. Additionally, on a periodic basis, the IG independently tests compliance with our process for claiming other benefits. For example, the IG performed these tests during fiscal year 2003 and found them to be reasonable. The IG also suggested actions to strengthen documentation of our other benefits. In fiscal year 2004, we implemented the IG's recommendations and followed our established process for claiming other benefits.
Data limitations	The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and benefits it produced. However, we feel that this is not a significant limitation on the data because the data represent a conservative measure of our overall contribution toward improving government.
Recommendations made and percentage of products with recommendations	
Definition and background	These measures count the number of recommendations made in products issued within the fiscal year and the percentage of the written products issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive for recommendations that are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and that are specific, feasible, and cost-effective. Some products we issue contain no recommendations and are strictly informational in nature. We track the number of recommendations made in products (excluding testimonies) that are issued during the fiscal year. We also track the percentage of our written products that are issued during the fiscal year and contain recommendations. The latter indicator recognizes that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. For example, informational reports can help to bring about significant financial and other benefits. This means that a product with a single recommendation can help bring about significant financial or other benefits.
Data sources	Our document database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.
Verification and validation	Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. Our managers are provided with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated. Additionally, on a periodic basis, the IG independently tests the teams' compliance with our policies and procedures. For example, during fiscal year 2003, the IG performed these tests and determined that the number of recommendations and the percentage of written products with recommendations were reasonable. In fiscal year 2004, we used the same procedures to report and calculate these two measures.
Data limitations	These measures are a conservative estimate of the extent to which we assist the Congress and federal agencies because not all products and services we provide lead to recommendations. For example, the Congress may request information on federal programs that is purely descriptive or analytical and does not lend itself to recommendations.

Past recommendations implemented	
Definition and background	We make recommendations designed to improve the operations of the federal government. For our work to produce financial or other benefits, the Congress or other federal agencies must implement these recommendations. As part of our audit responsibilities under generally accepted government auditing standards, we follow up on recommendations we have made and report to the Congress on their status. Experience has shown that it takes time for some recommendations to be implemented. For this reason, this measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year (e.g., the fiscal year 2004 implementation rate is the percentage of recommendations made in fiscal year 2000 products that were implemented by the end of fiscal year 2004). Experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented. This measure assesses action on recommendations made 4 years previously, rather than the results of our activities during the fiscal year in which the data are reported. For example, the cumulative percentage of recommendations made in fiscal year 2000 that were implemented in the ensuing years is as follows: 30 percent by the end of the first year (fiscal year 2001), 38 percent by the end of the second year (fiscal year 2002), 44 percent by the end of the third year (fiscal year 2003), and 83 percent by the end of the fourth year (fiscal year 2004).
Data sources	Our document database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.
Verification and validation	Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. Policies and procedures specify that our staff must verify, with sufficient supporting documentation, that an agency's reported actions are adequately being implemented. Staff update the status of the recommendations on a periodic basis. To accomplish this, our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from an agency's IG. Recommendations that are reported as implemented are reviewed by a senior executive in the unit and by QCI. Summary data are provided to the units that issued the recommendations. The units check the data regularly to make sure the recommendations they have reported as implemented have been accurately recorded. We also provide to the Congress a database with the status of recommendations that have not been implemented, and we maintain a publicly available database of open recommendations that is updated daily. Additionally, on a periodic basis, the IG independently tests our process for calculating the percentage of recommendations implemented for a given fiscal year. For example, the IG determined that our process was reasonable for calculating the percentage of recommendations that had been made in our fiscal year 1999 products and implemented by the end of fiscal year 2003. In fiscal year 2004, we followed the same process for calculating the percentage of recommendations that had been made in fiscal year 2000 products and implemented by the end of fiscal year 2004.
Data limitations	The data may be underreported because sometimes a recommendation may require more than 4 years to implement. We also may not count cases in which a recommendation is partially implemented. However, we feel that this is not a significant limitation on the data because the data represent a conservative measure of our overall contribution toward improving government.
Testimonies	
Definition and background	The Congress may ask us to testify at hearings on various issues. Participation in hearings is one of our most important forms of communication with the Congress, and the number of hearings at which we testify reflects the importance and value of our institutional knowledge in assisting congressional decision making. In cases where multiple GAO witnesses with separate testimonies appear at a single hearing, we count the case as a single testimony.
Data sources	The data on hearings at which we testify are compiled in our congressional hearing system.

Verification and validation	The units responding to requests for testimony are responsible for entering data in the congressional hearing system. After a GAO witness has testified at a hearing, our Congressional Relations office verifies that the data in the system are correct and records the hearing as one at which we testified. Congressional Relations provides weekly status reports to unit managers, who check to make sure the data are complete and accurate. Additionally, on a periodic basis, the IG independently examines the process for recording the number of hearings where we testified. For example, the IG determined that our process for recording hearings during fiscal year 2003 was reasonable. In fiscal year 2004, we followed the same process for recording hearings.
Data limitations	This measure does not include statements for the record that we prepare for congressional hearings. Also, this measure may be influenced by factors other than the quality of our performance in any specific year. The number of hearings held each year depends on the Congress's agenda, and the number of times we are asked to testify may reflect congressional interest in work in progress, as well as work completed that year or the previous year. To mitigate this limitation, we try to adjust our workload to reflect cyclical changes in the congressional schedule. We also outreach to our clients on a continuing basis to increase their awareness of our readiness to participate in hearings.
Timeliness	
Definition and background	The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we measure the proportion of our products that are issued by the dates agreed to with our clients or, for our research and development work, by the dates agreed to internally.
Data sources	The data supporting this measure are from our Mission and Assignment Tracking System, which is used to monitor our progress on assignments.
Verification and validation	Our staff enter the data supporting this measure into our Mission and Assignment Tracking System. The data are then uploaded into our Engagement Review System, allowing the teams to monitor their performance on this measure on a daily basis, if necessary, and resolve any issues. When an assignment is completed, data on its target and completion dates are reported to the project manager, who reviews and signs the report to confirm its accuracy. Additionally, on a periodic basis, the IG independently examines our process for calculating product timeliness. For example, the IG found that our process for calculating timeliness for products issued during fiscal year 2003 was reasonable. We followed the same process for calculating the timeliness of products issued during fiscal year 2004.
Data limitations	We do not measure the timeliness of all of our external products. Products such as staff studies, certain correspondence, and guidance are not part of our main product line and are excluded.
New hire rate	
Definition and background	This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account projected workload changes, as well as other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires and, for each hire, specifies the skill type and the level. The plan is conveyed to each of our units to guide hiring throughout the year. Progress toward achieving the workforce plan is monitored monthly by the Chief Operating Officer and the Chief Administrative Officer (CAO). Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.
Data sources	The executive committee approves the workforce plan. Thw workforce plan is coordinated and maintained by the CAO. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from USDA's National Finance Center (NFC) database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation	The CAO maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our CAO staff input workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, monthly reports are provided to the Chief Operating Officer and the CAO to monitor progress by GAO units in achieving workforce plan hiring targets. The CAO continuously monitors and reviews accessions maintained in the NFC data against its database to ensure consistency and to resolve discrepancies. The office follows up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the new hire rate. During fiscal year 2004, the IG independently reviewed this process and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.
Acceptance rate	
Definition and background	This measure is the ratio of the number of applicants accepting offers to the number of offers made. Acceptance rate is a proxy for GAO's attractiveness as an employer and an indicator of our competitiveness in bringing in new talent.
Data sources	The information required is the number of job offers made (excluding interns, experts/consultants, and reemployed annuitants), the number of offers declined, and the number of individuals who come on board. Our CAO staff maintains a database that contains the job offers made and accepted or declined. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from USDA's NFC database, which handles payroll and personnel data for GAO and other agencies.
Verification and validation	Human capital managers in the Human Capital Office work with the CAO to ensure that each job offer made and its outcome (declination or acceptance) is noted in the database that is maintained by the CAO's staff; periodic checking is performed to review the accuracy of the database. In addition, on a periodic basis, the IG examines our process for calculating the acceptance rate. During fiscal year 2004, the IG independently reviewed this process and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure and the reporting of this measure. We have implemented the IG's suggestions.
Data limitations	There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.
Retention rate	
Definition and background	We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the inverse of attrition. We calculate this measure by taking 100 percent of the on-board strength minus the attrition rate, where attrition rate is defined as the number of separations divided by the average on-board strength. We calculate this measure with and without retirements.
Data sources	Data on retention—that is, people who are on board at the beginning of the fiscal year and are still here at the end of the fiscal year as well as the average number of people on board during the year—are taken from a CAO database that contains some data from the NFC database, which handles payroll and personnel data for GAO and other agencies.
Verification and validation	CAO staff continuously monitor and review accessions and attritions against the contents of their database that has NFC data and they follow up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the retention rate. During fiscal year 2004, the IG reviewed this process and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.

Staff development	
Definition and background	One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions to which staff are asked to respond. This measure is based on staff's favorable responses to four of the six questions related to staff development on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these four questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer."
Data sources	These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff how much positive or negative impact (1) internal training, (2) computer-based training, (3) external training/conferences, and (4) on-the job-training have on their ability to do your job during the last 12 months. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "very positive impact" or "generally positive impact."
Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. We have historically achieved a high response rate (over 80 percent) to the survey, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently examines our process for calculating the percentage of favorable responses for staff development. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. This approach eliminated the need to have the data keyed into a database by someone other than the respondent, thus removing an additional source of error.

Staff utilization	
Definition and background	One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions to which staff are asked to respond. This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these four questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer."
Data sources	These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "very positive impact" or "generally positive impact."
Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. We have historically achieved a high response rate (over 80 percent) to the survey, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently examines our process for calculating the percentage of favorable responses for staff utilization. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. This approach eliminated the need to have the data keyed into a database by someone other than the respondent, thus removing an additional source of error.

Leadership	
Definition and background	One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions to which staff are asked to respond. This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of leadership on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Specifically, our calculation included responses to one of 4 questions related to empowerment; two of four questions related to trust; all three questions related to recognition; one of three questions related to decisiveness; two of three questions related to leading by example and one of three questions related to work life. Staff were asked to respond to these 10 questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer."
Data sources	These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff about empowerment, trust, recognition, decisiveness, leading by example, and work life as they pertain to the respondent's immediate supervisor. For example, we looked at the responses related to specific qualities of our managers, such as "My immediate supervisor gave me the opportunity to do what I do best" and "My immediate supervisor provided meaningful incentives for high performance." From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "always or almost always" or "most of the time."
Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. We have historically achieved a high response rate (over 80 percent) to the survey, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently examines our process for calculating the percentage of favorable responses for leadership. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. This approach eliminated the need to have the data keyed into a database by someone other than the respondent, thus removing an additional source of error.

Organizational climate	
Definition and background	One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions to which staff are asked to respond. This measure is based on staff's favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. This subset of questions was selected on the basis of senior management's judgement about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these five questions on a five-point scale or choose "no basis to judge" or "no answer."
Data sources	These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff to think back over the last 12 months and indicate how strongly they agree or disagree with each of the following statements: (1) a spirit of cooperation and teamwork exists in my work unit; (2) I am treated fairly and with respect in my work unit; (3) my morale is good; (4) sufficient effort is made in my work unit to get the opinions and thinking of people who work here; and (5) overall, I am satisfied with my job at GAO. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "strongly agree" or "generally agree."
Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. We have historically achieved a high response rate (over 80 percent) to the survey, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently examines our process for calculating the percentage of favorable responses for organizational climate. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. This approach eliminated the need to have the data keyed into a database by someone other than the respondent, thus removing an additional source of error.

Multiyear qualitative performance goals	
Definition and background	We consult with our congressional clients and other outside experts in setting our multiyear qualitative performance goals. Thus, assessing the extent to which we achieve our performance goals helps focus our efforts on issues of critical importance and provides a tool for holding ourselves accountable for the resources the Congress provides. These goals measure the extent to which we did the work we had planned to do to support the Congress over a period of time. In this case, they cover fiscal years 2004 and 2005. For each performance goal, we identify the key efforts needed to achieve it. To determine whether a performance goal has been met, we assess the work completed under the goal's key efforts. In making this assessment, the responsible senior executives for strategic goals 1 through 3—our external goals—consider the number of reports issued and recommendations made for each key effort as well as any other assistance provided to the Congress related to these efforts. Senior executives then judge whether the work completed collectively for all key efforts actually achieved the performance goal. For strategic goal 4—our internal goal—senior executives also judge whether the performance goals have been met based on the work done on the goal's key efforts.
Data sources	The data supporting this measure are from our senior executives' assessments, which are supported by documentation, of work completed under performance goals' key efforts. The supporting documentation comes from our automated Mission and Assignment Tracking System and document database for strategic goals 1 through 3 and from reports produced by the managers responsible for each key effort for strategic goal 4.
Verification and validation	The assessment of each performance goal under strategic goals 1 through 3 is supported by documentation showing, by key effort, the number of reports issued and recommendations made during the assessment period. The assessment of the performance goals under strategic goal 4 is also supported by documentation showing the work completed under each key effort. Managing Directors in all four goals sign this documentation. QCI provides this information to our managers several times a year so that they can check its accuracy. QCI also reviews the assessments and supporting documentation for all performance goals to ensure that criteria are consistently applied and that requirements are met. On a periodic basis, our IG independently tests our process for determining whether performance goals are met. For example, in fiscal year 2003, the IG tested our process and found it to be reasonable. The IG also suggested actions to strengthen documentation of these multiyear qualitative performance goals, and we have implemented those actions.
Data limitations	The assessment data represent opinions in the form of qualitative, professional judgments of the work performed under each performance goal. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.

Source: GAO.

Program Evaluation

To assess our progress toward our first three strategic goals and their objectives and to update them for our strategic plan, we evaluate actions taken by federal agencies and the Congress in response to our recommendations. The results of these evaluations are conveyed in this performance and accountability report as financial benefits and other benefits that reflect the value of our work.

In addition, we actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings annually to the Congress and the public (www.gao.gov/openrecs.html). We use the results of that analysis to determine the need for further work in particular areas. For example, if an agency has not implemented a recommended action that we consider to be worthwhile, we may decide to pursue further action with agency officials or congressional committees, or we may decide to undertake additional work on the matter.

We also use our biennial high-risk series to provide a status report on those major government operations considered "high risk" because of their vulnerabilities to waste, fraud, abuse, and mismanagement or the need for broad-based transformations. The series is a valuable evaluation and planning tool

because it helps us to identify those areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces.

To help ensure the quality of our work supporting goals 1, 2, and 3, has begun an external peer review of the process and practices we use to perform many of our engagements (specifically, performance audits). The review—which is being led by the Office of the Auditor General of Canada—will assess whether our quality assurance policies and procedures are suitably designed and operating effectively. By the end of fiscal year 2004, the team had reached agreement with us on the standards and objectives for the peer review, completed its examination plan and its assessment of the suitability of the design of our engagement quality control system, and started the review of audit documentation for a sample of products. The team plans to issue a final written report in April 2005.

To help us assess our progress toward the strategic objectives under goal 4, we began a congressionally mandated study in fiscal year 2004 of our internal operations and completed a number of other studies and evaluations related to this goal.

In response to the mandate in the House report on the fiscal year 2005 legislative branch appropriation (H.R. 108-577), we and other legislative branch agencies were asked to identify opportunities for streamlining, improving agency management, and outsourcing and to evaluate document distribution activities and requirements. To help address the management improvement and streamlining portion of the mandate, we developed a self-certification survey to be completed by each legislative branch agency, including us, that will document (1) past efforts to streamline operations and make management improvements in organization alignment (including cross-servicing and outsourcing administrative services and other activities), acquisition management, IT, human capital, financial management, and strategic planning; (2) planned future actions; and (3) additional opportunities, using leading practice principles, for further improvements. To address the outsourcing portion of the mandate, our CAO continued to work with the Legislative Branch CAO Council on work already under way by the council to document existing cross-servicing efforts among the legislative branch agencies. To evaluate document distribution efforts and requirements, we began collecting information on the costs that other legislative branch agencies incur to distribute their documents and coordinated with the Government Printing Office on ways to reduce document distribution costs. All of our efforts to address the legislative branch mandate will continue into fiscal year 2005.

All of the following evaluations are related to goal 4's strategic objectives and resulted in internal products or briefings in fiscal year 2004 that are not available publicly.

- **The status of our financial management.** As part of our effort to be a model agency, in fiscal 2004 we retained the independent audit firm, Cotton & Co., LLP, to audit our financial statements. The auditors issued an unqualified opinion. We also conducted internal reviews of our compliance with requirements set forth in 31 U.S. 3512 (commonly referred to as the Federal Managers' Financial Integrity Act) and the Office of Management and Budget's Circular A-127, Financial Management Systems. The A-127 review covered budget preparation, documentation, and internal controls. The Financial Integrity Act review covered payroll testing; time and attendance procedures; Human Capital Office personnel files operations; our vendor contracts; the credit card program; and internal controls for purchases, payments, and employee reimbursements. These reviews uncovered no problems and showed that we have the proper controls in place and that they are being followed.
- **Customer satisfaction with internal operations and services.** To improve the satisfaction of our internal customers with our critical internal operations and services, we deployed our first-ever customer satisfaction survey. We used the feedback obtained from this survey to identify pain points, determine gaps between customer expectations and service provided, and implement improvements. The results from our next customer satisfaction survey, in November 2004, will be used to measure the impact of our improvement efforts, refine our targets, and make adjustments to improve service and reduce the gap between expectations and service provided. As a separate

effort we launched a Web-based customer satisfaction survey focusing on services provided by our Product Assistance Groups to better identify where changes may be needed in the report production process.

- **Development and retention of mission staff.** To improve the development and effective utilization of mission staff and our prospects for staff retention, task teams identified staffing methods and systems and proposed solutions for implementation during fiscal year 2005 to modify and strengthen various institutional issues in support of staffing.
- **Equitability in the telework program.** Based on an internal study of the implementation of the telework program—a program under which employees can work from their homes—we revised our guidance to ensure equitability in the decision-making process and provide for greater consistency and accountability in the management of the program.
- **Disaster recovery testing.** We conducted a disaster recovery test in December 2003 to identify weaknesses in our IT operations and implement improvements. In August 2004, we conducted an additional test to determine whether the fixes we implemented worked.
- **Mailroom risk assessment.** We completed a risk assessment of our mail room that resulted in several recommendations for improvements.
- **Updating agency awards policy.** A matrixed team studied our awards program and made recommendations for changes to the program and policies to ensure consistency with our performance management system. To implement these recommendations, we established a hierarchy of mechanisms for rewarding staff for outstanding performance; added a monetary component to our annual honor awards; eliminated career service gifts; increased the dollar limits for annual and spot awards that are given by teams or other units; established team budgets for time-off awards and limited the number of hours any individual can be awarded per year; and established a program to reward employees who use frequent flyer benefits for official travel, resulting in savings to GAO.
- **Travel systems assessment.** A contractor conducted an assessment of our Travel Manager and Web-based time and attendance systems and completed its review in September 2004. We are in the process of addressing the resulting findings, which were minor.
- **IT Security Program assessment.** We contracted for an audit of our security practices and controls. This assessment was designed to analyze the effectiveness of our IT Security Program and assist management in determining how to best utilize resources to protect our information and information systems. It is a critical on-site examination and analysis of the program to ascertain the present program status, to identify deficiencies or excesses, to determine the protection needed, and to make recommendations for improvement.

PART III

Financial Information

Source: See Image Sources.

Source: GAO.

November 15, 2004

I am pleased to report that in fiscal year 2004 the U.S. Government Accountability Office continued to set the standard for excellence in government financial management. For the 18th consecutive year, independent auditors gave GAO's financial statements an unqualified opinion with no material weaknesses and no major compliance problems. In accordance with the Office of Management and Budget's new accelerated reporting schedule, our audited financial statements were completed and made publicly available 45 days after the end of the fiscal year. In addition, for the third year in a row, the Association of Government Accountants awarded GAO a certificate of excellence for its fiscal year 2003 annual performance and accountability report.

We worked hard to reach our goal of becoming a model federal agency and a world-class professional services organization. We sought legislation that would provide us with significant new personnel flexibilities to help us to continue to recruit, retain, and reward top talent. This bill, which the President signed into law in July, decouples GAO from the general across-the-board pay adjustment system applicable to much of the executive branch and gives greater weight to individual employee performance in pay decisions.

We also used new technology to improve the efficiency and the effectiveness of GAO's support services. All GAO employees now use a Web-based time and attendance system, which has greatly improved the efficiency of our payroll cost-allocation processes. Employees also now have access 24 hours a day to more than 900 online training classes that cover the range of competencies staff at various levels are expected to demonstrate, such as project planning, team building, report writing, data

analysis, computer skills, supervision, and management. Another major project was the conversion of thousands of paper personnel files to an electronic format that can be stored off-site and retrieved easily in the event of a natural disaster.

We redesigned the agency's Web site to give it a clean, modern look and updated its document search capabilities. We have reached an impressive 1 million hits per week on the Web site, and electronic subscriptions to GAO reports and other products now exceed 100,000.

To better meet the needs and expectations of GAO employees, we developed and deployed our first-ever customer satisfaction survey on key internal services. We incorporated the survey results into a scorecard that revealed several areas needing improvement. We plan to measure the effectiveness of our improvement efforts during our next customer satisfaction survey, in November 2004.

In the coming year, we will continue to investigate new approaches to doing our work that will help us to save time and money while delivering the same outstanding results GAO is known for.

Sallyanne Harper
Chief Financial Officer

Overview of Financial Statements

Our financial statements and accompanying notes begin on page 86.[4] Our financial statements for the fiscal years ended September 30, 2004 and 2003, were audited by an independent auditor, Cotton & Co., LLP.

Cotton & Co., LLP, rendered an unqualified opinion on our financial statements and an unqualified opinion on the effectiveness of our internal controls over financial reporting and compliance with laws and regulations. The auditor also reported that we have substantially complied with the applicable requirements of the Federal Financial Management Improvement Act (Improvement Act) of 1996 and found no reportable instances of noncompliance with selected provisions of laws and regulations. In the opinion of the independent auditor, the financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles.

Financial Systems and Internal Controls

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

We are committed to fulfilling the internal control objectives of 31 U.S.C. 3512, commonly referred to as the Federal Managers' Financial Integrity Act (Integrity Act). Although we are not subject to the act, we comply voluntarily with its requirements. Our internal controls are designed to provide reasonable assurance that obligations and costs are in compliance with applicable laws and regulations; funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and revenues and expenditures applicable to our operations are properly recorded and accounted for to enable our agency to prepare reliable financial reports and maintain accountability over our assets.

Our management assesses compliance with these controls through a series of comprehensive internal reviews, applying the evaluation criteria in OMB's guidance for implementing the Integrity Act. The results of these reviews are discussed with our Audit Advisory Committee, and action is taken to correct deficiencies as they are identified.

We assessed our internal controls as of September 30, 2004, based on the criteria mentioned above for effective internal controls in the federal government. On the basis of this assessment, we believe that as of September 30, 2004, we have effective internal controls in place. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our evaluation, the auditor found no material internal control weaknesses.

In addition, we are committed to fulfilling the objectives of the Improvement Act, which is also covered within 31 U.S.C. 3512. Although not subject to the act, we voluntarily comply with its requirements. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level as of September 30, 2004. We made this assessment based on criteria established under the Improvement Act and guidance issued by OMB. Also, our auditor reported that we had substantially complied with the applicable requirements of the Improvement Act as of September 30, 2004.

[4]Note 12 to the financial statements describes our Davis Bacon Act trust function. For more detailed Davis Bacon Act financial information, contact our Office of General Counsel.

GAO's Office of Inspector General (IG) also conducts audits and investigations that are internally focused, functions as an independent fact-gathering adviser to the Comptroller General, and reviews all accomplishment reports totaling $500 million or more. During fiscal year 2004, the IG examined compliance with our policy and procedures for conflict-of-interest determinations, recruiting and hiring, performance evaluations, career advancement, professional development, continuing professional education, cellular telephone usage, student loans, and time and attendance. In addition, the IG independently tests our compliance with procedures related to our performance data on a rotating basis over a 3-year period; these actions are specifically identified in the table that begins on page 67 of this report. This fiscal year, the IG tested compliance with procedures and methodologies for several new performance measures, such as the new hire rate, acceptance rate, retention rate, staff development, leadership and organizational climate. No material weaknesses were reported by the IG. During fiscal year 2004, we completed actions related to nine IG recommendations made in previous years, none of which affected the financial statements. There are no unresolved issues.

Our Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal controls over financial operations, and processes to ensure compliance with laws and regulations relevant to our financial operations. As of September 30, 2004, the committee consisted of Sheldon S. Cohen (Chairman), Edward J. Mazur, and Charles O. Rossotti, whose relevant experience was described on page 37 of this report. The committee's report follows our financial statements and accompanying notes.

Purpose of Each Financial Statement

The financial statements on the next five pages present the following information:

- The balance sheet presents the combined amounts we had available to use (assets) versus the amounts we owed (liabilities) and the residual amounts after liabilities were subtracted from assets (net position).
- The statement of net cost presents the annual cost of our operations. The gross cost less any offsetting revenue earned from our activities is used to arrive at the net cost of work performed under our four strategic goals.
- The statement of changes in net position presents the accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the fiscal year.
- The statement of budgetary resources presents how budgetary resources were made available to us during the fiscal year and the status of those resources at the end of the fiscal year.
- The statement of financing reconciles the resources available to us with the net cost of operating the agency.

Financial Statements
U.S. Government Accountability Office
Balance Sheet
As of September 30, 2004 and 2003
(Dollars in thousands)

	2004	2003
Assets		
Intragovernmental		
Funds with the U.S. Treasury and cash (Note 2)	$67,169	$69,382
Accounts receivable (Note 1)	1,501	506
Total Intragovernmental	68,670	69,888
Property and equipment, net (Note 3)	49,180	57,928
Other (Note 1)	382	414
Total Assets	$118,232	$128,230
Liabilities		
Intragovernmental		
Accounts payable (Note 1)	$7,359	$7,789
Employee benefits (Note 5)	1,928	1,416
Workers' compensation (Note 4 and 6)	1,961	1,922
Total Intragovernmental	11,248	11,127
Accounts payable (Note 1)	12,749	11,936
Salaries and benefits (Note 4 and 5)	15,035	11,347
Accrued annual leave and other (Note 4)	29,958	30,415
Workers' compensation (Note 4 and 6)	9,819	11,093
Capital leases (Note 4 and 8)	5,934	9,647
Total Liabilities	84,743	85,565
Net Position (Note 1)		
Unexpended appropriations	34,621	40,327
Cumulative results of operations	(1,132)	2,338
Total Net Position	33,489	42,665
Total Liabilities and Net Position	$118,232	$128,230

The accompanying notes are an integral part of these statements.

Financial Statements

U.S. Government Accountability Office

Statement of Net Cost

For Fiscal Years Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004	2003
Net Costs by Goal		
Goal 1: Well-Being/Financial Security of American People	$194,733	$186,443
Less: reimbursable services	(2)	-
Net goal costs	194,731	186,443
Goal 2: Changing Security Threats/Challenges of Global Interdependence	131,745	122,031
Less: reimbursable services	(85)	(56)
Net goal costs	131,660	121,975
Goal 3: Transforming the Federal Government's Role	148,196	146,509
Less: reimbursable services	(2,435)	(1,648)
Net goal costs	145,761	144,861
Goal 4: Maximize the Value of GAO	23,410	19,982
Less: reimbursable services	-	-
Net goal costs	23,410	19,982
Less: reimbursable services not attributable to goals	(5,493)	(2,153)
Net Cost of Operations (Note 9)	$490,069	$471,108

The accompanying notes are an integral part of these statements.

Financial Statements

U.S. Government Accountability Office

Statement of Changes in Net Position

For Fiscal Years Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004		2003	
	Cumulative Results of Operations	**Unexpended Appropriations**	**Cumulative Results of Operations**	**Unexpended Appropriations**
Balances, Beginning of Fiscal Year	$2,338	$40,327	$5,163	$29,925
Budgetary Financing Sources				
Current year appropriations	-	457,606	-	453,051
Lapsed budget authority	-	(1,809)	-	(1,552)
Appropriations used	461,503	(461,503)	441,097	(441,097)
Other Financing Sources				
Intragovernmental transfer of property and equipment	(788)	-	(85)	-
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 5)	25,884	-	24,757	-
Amortization of deferred lease revenue (Note 7)	-	-	2,514	-
Total Financing Sources	486,599	(5,706)	468,283	10,402
Net Cost of Operations	(490,069)	-	(471,108)	-
Balances, End of Fiscal Year (Note 1)	($1,132)	$34,621	$2,338	$40,327

The accompanying notes are an integral part of these statements.

Financial Statements

U.S. Government Accountability Office

Statement of Budgetary Resources

For Fiscal Years Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004	2003
Budgetary Resources (Note 10)		
Current year appropriations	$457,606	$453,051
Unobligated appropriations, beginning of fiscal year	18,895	14,198
Reimbursable services (Note 9)	8,015	3,857
Cost sharing and pass-through CPA contract reimbursements	3,006	3,243
Total Budgetary Resources	$487,522	$474,349
Status of Budgetary Resources		
Obligations incurred	$471,647	$453,902
Unobligated appropriations, end of fiscal year	14,066	18,895
Lapsed budget authority	1,809	1,552
Total Status of Budgetary Resources	$487,522	$474,349
Relationship of Obligations to Outlays		
Obligations incurred	$471,647	$453,902
Obligated balance, net - beginning of fiscal year	50,487	47,856
Less: Obligated balance, net - end of fiscal year	(53,103)	(50,487)
Total Outlays	469,031	451,271
Less: Reimbursable services	(8,015)	(3,857)
Cost sharing and pass-through CPA contract reimbursements (Note 10)	(3,006)	(3,243)
Net Outlays	$458,010	$444,171
Outlays		
Disbursements	$469,031	$451,271
Collections	(11,021)	(7,100)
Net Outlays	$458,010	$444,171

The accompanying notes are an integral part of these statements.

Financial Statements

U.S. Government Accountability Office

Statement of Financing

For Fiscal Years Ended September 30, 2004 and 2003

(Dollars in thousands)

	2004	2003
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations incurred	$471,647	$453,902
Less: Reimbursable services (Note 9)	(8,015)	(3,857)
Cost sharing and pass-through CPA contract reimbursements (Note10)	(3,006)	(3,243)
Net obligations	460,626	446,802
Other Resources		
Intragovernmental transfer of property and equipment	(788)	(85)
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 5)	25,884	24,757
Amortization of deferred lease revenue (Note 7)	-	2,514
Net other resources used to finance activities	25,096	27,186
Total resources used to finance activities	485,722	473,988
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Net decrease/(increase) in unliquidated obligations	876	(5,705)
Costs capitalized on the balance sheet	(11,703)	(14,304)
Total resources used to finance items not part of the net cost of operations	(10,827)	(20,009)
Total resources used to finance the net cost of operations	474,895	453,979
Components That Generate Resources in Future Periods		
Decrease in Workers' Compensation, Accrued Annual Leave, and Other Liabilities (Note 11)	(1,630)	(341)
Costs That Do Not Require Resources		
Depreciation	16,804	17,470
Net Cost of Operations	$490,069	$471,108

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity
The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the United States Government Accountability Office (GAO). Congress passed the GAO Human Capital Reform Act of 2004 that, among other things, authorized GAO to officially change its name from the General Accounting Office. The name change does not affect the reporting entity or the information presented for financial reporting purposes. GAO, an agency in the legislative branch of the federal government, supports the Congress in carrying out its constitutional responsibilities. GAO carries out its mission primarily by conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. The revenue from audit services and rental income is included on the Statement of Budgetary Resources as "reimbursable services." The financial statements, except for federal employee benefit costs paid by the Office of Personnel Management (OPM) and imputed to GAO, do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as interest on the federal debt, which may in part be attributable to GAO; they also do not include activity related to GAO's trust function described in Note 12.

Basis of Accounting
GAO's financial statements have been prepared on the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP) for the federal government. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were also prepared in conformity with OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*.

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

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

Accounts Receivable
GAO's accounts receivable are due principally from federal agencies for reimbursable services; therefore, GAO has not established an allowance for doubtful accounts. The increase in fiscal year 2004 accounts receivable is due primarily to new reimbursable audit work.

Property and Equipment
The GAO building qualifies as a multi-use heritage asset and is GAO's only heritage asset. The designation of multi-use heritage asset is a result of both being listed in the National Register of Historic Places and being used in general government operations. Maintenance of the building has been kept on a current basis. The building is depreciated on a straight-line basis over 25 years.

Generally, property and equipment individually costing more than $15,000 are capitalized at cost. Building improvements and leasehold improvements are capitalized when the cost is $25,000 or greater. Bulk purchases of lesser-value items that

aggregate more than $150,000 are also capitalized at cost. Assets are depreciated on a straight-line basis over the estimated useful life of the property as follows: building improvements, 10 years; computer equipment, software, and capital lease assets, ranging from 3 to 6 years; leasehold improvements, 5 years; and other equipment, ranging from 5 to 20 years. GAO's property and equipment have no restrictions as to use or convertibility except for the restrictions related to the GAO building's classification as a multi-use heritage asset.

Other Assets
The composition of Other Assets as of September 30, 2004 and 2003, is as follows:

Dollars in thousands

	2004	2003
Operating supplies to be consumed in normal operations (valued at cost)	$298	$363
Other receivables	84	51
Total Other Assets	$382	$414

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

Intragovernmental liabilities arise from transactions with other federal entities. Detail of GAO's intragovernmental liabilities by agency as of September 30, 2004 and 2003, is as follows:

Dollars in thousands

Agency	2004	2003
General Services Administration	$5,559	$6,992
Office of Personnel Management	1,884	1,106
Department of Labor	2,176	2,059
All others	1,629	970
Total Intragovernmental Liabilities	$11,248	$11,127

Accounts Payable
Accounts Payable consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Federal Employee Benefits
GAO recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to GAO. The pension expense recognized in the financial statements equals the current service cost for GAO's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of the plan, supplies GAO with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by GAO and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This amount is considered imputed financing to GAO (see Note 5).

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

Federal employee benefit costs paid by OPM and imputed to GAO are reported as resources on the Statements of Changes in Net Position and Financing and are also included as a component of net cost by goal on the Statement of Net Cost.

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

Contingencies
GAO has certain claims and lawsuits pending against it. When claims are expected to result in payments, and the payment amounts can be reasonably estimated, appropriate provision is

included in the accompanying financial statements. In the opinion of management and legal counsel, the resolution of other claims and lawsuits will not materially affect the financial position or operations of GAO.

Net Position

Net position on the balance sheet is composed of unexpended appropriations and cumulative results of operations. Included in unexpended appropriations are appropriations not yet obligated or expended, including undelivered orders. Cumulative results of operations represent the excess of financing sources over expenses since inception. Detail of the components of GAO's cumulative results of operations for the year ended September 30, 2004 and 2003, are as follows:

Dollars in thousands

	2004	2003
Investment in property and equipment, net	$49,180	$57,928
Other	297	362
Liabilities not covered by budgetary resources	(50,609)	(55,952)
Cumulative Results of Operations	$(1,132)	$2,338

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided. (See Note 4.)

Note 2. Funds with the U.S. Treasury and Cash

GAO's funds with the U.S. Treasury consist of only appropriated funds. GAO also maintains cash imprest funds for use in daily operations. The status of these funds as of September 30, 2004 and 2003, is as follows:

Dollars in thousands

	2004	2003
Unobligated balance		
Available	$3,609	$10,214
Unavailable	10,451	8,664
Obligated balances not yet disbursed	53,103	50,487
Total Funds with U.S. Treasury	67,163	69,365
Cash	6	17
Total Funds with U.S. Treasury and Cash	$67,169	$69,382

Note 3. Property and Equipment, Net

The composition of property and equipment as of September 30, 2004, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	$15,664	$10,025	$5,639
Land	1,191	–	1,191
Building improvements	109,389	87,413	21,976
Computer and other equipment and software	34,525	20,533	13,992
Leasehold improvements	5,091	4,895	196
Assets under capital lease	30,321	24,135	6,186
Total property and equipment	$196,181	$147,001	$49,180

The composition of property and equipment as of September 30, 2003, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	$15,664	$9,398	$6,266
Land	1,191	–	1,191
Building improvements	106,427	80,306	26,121
Computer and other equipment, and software	32,872	18,517	14,355
Leasehold improvements	5,036	4,793	243
Assets under capital lease	28,728	18,976	9,752
Total property and equipment	$189,918	$131,990	$57,928

Note 4. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's Balance Sheet as of September 30, 2004 and 2003, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2004 and 2003, is as follows:

Dollars in thousands

	2004	2003
Intragovernmental liabilities—Workers' compensation	$1,961	$1,922
Salaries and benefits—Comptrollers General retirement plan	2,937	2,875
Accrued annual leave and other	29,958	30,415
Workers' compensation	9,819	11,093
Capital leases	5,934	9,647
Total liabilities not covered by budgetary resources	$50,609	$55,952

Note 5. Federal Employee Benefits

All permanent employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Temporary employees and employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA). GAO makes contributions to CSRS, FERS, and FICA and matches certain employee contributions to the thrift savings component of FERS. The pension expense recognized in GAO's financial statements for fiscal year 2004 and fiscal year 2003 amounted to approximately $40,237,000 and $39,672,000, respectively. These amounts include pension costs financed by OPM and imputed to GAO of $13,341,000 and $13,876,000, respectively. To the extent that employees are covered by FICA, the taxes they pay to the program and the benefits they will eventually receive are not recognized in GAO's financial statements. However, the payments to FICA that GAO makes are recognized as operating expenses. During fiscal year 2004 and fiscal year 2003, these payments amounted to approximately $14,545,000 and $13,556,000, respectively. To the extent that GAO employees are covered by the thrift savings component of FERS, GAO payments to the plan are recognized as operating expenses. GAO's costs associated with the thrift savings component of FERS during fiscal year 2004 and fiscal year 2003 amounted to approximately $7,889,000 and $7,097,000, respectively.

In addition, all permanent employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and Federal Employees Group Life Insurance Program (FEGLIP) and may continue to participate after retirement. GAO makes contributions through OPM to FEHBP and FEGLIP for active employees to pay for their current benefits. GAO's contributions for active employees are recognized as operating expenses and, during fiscal year 2004 and fiscal year 2003, amounted to approximately $14,257,000 and $13,191,000, respectively. Using the cost factors supplied by OPM, GAO has also recognized an expense in its financial statements for the estimated future cost of post-retirement health benefits and life insurance for its employees. These costs amounted to approximately $12,543,000 and

$10,881,000 during fiscal year 2004 and fiscal year 2003, respectively, and are financed by OPM and imputed to GAO.

Amounts owed to OPM and the U.S. Treasury as of September 30, 2004 and 2003, are, $1,928,000 and $1,416,000, respectively for FEHBP, FEGLIP, FICA, FERS, and CSRS contributions and are shown on the Balance Sheet as an employee benefits liability.

Comptrollers General and their surviving beneficiaries who qualify and so elect to participate are paid retirement benefits by GAO under a separate retirement plan. These benefits are paid from current year appropriations and amounted to approximately $278,000 and $272,000 during fiscal year 2004 and fiscal year 2003, respectively. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits of $2,937,000 as of September 30, 2004, and $2,875,000 as of September 30, 2003, is included as a component of salary and benefit liabilities on GAO's Balance Sheet.

Note 6. Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (DOL) and are paid, ultimately, by GAO.

For fiscal year 2003, and again in fiscal year 2004, GAO used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other federal agencies.

GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2004 and 2003, which is expected to be paid in future periods. This estimated liability of $9,819,000 and $11,093,000 as of September 30, 2004 and 2003, respectively, is reported on GAO's Balance Sheet. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2004 and 2003, of $1,961,000 and $1,922,000, respectively, but not yet reimbursed to DOL by GAO. The amount owed to DOL is reported on GAO's Balance Sheet as an intragovernmental liability. Consistent with DOL's billing and collection practices, this amount represents about 2 years worth of claims paid by DOL to GAO employees.

Note 7. Deferred Lease Revenue

The U.S. Army Corps of Engineers (USACE) entered into an agreement with GAO to lease the entire third floor of the GAO building. USACE provided all funding for the third floor renovation. Occupancy began August 3, 2000, for an initial period of 3 years, with options to renew on an annual basis for 7 additional years. Total rental revenue to GAO includes a base rent, which remains constant for the entire 10-year period, plus operating expense reimbursements at a fixed amount for the first 3 years, with escalation clauses from year 4 through year 10 if the option years are exercised. Beginning in fiscal year 2002, USACE leased additional space on the sixth floor with occupancy lasting through the original lease term.

In addition, USACE paid for the design, construction, and renovation of one-half of the sixth floor to be occupied by GAO. In 2000, GAO capitalized the renovations at a cost of $9,053,000. GAO has repaid USACE for the entire cost of the renovations in the form of rental credits during the first 3 lease years. Rental credits were recorded as deferred lease revenue and were amortized over the original 3-year lease term ending in fiscal year 2003.

Rent received by GAO for fiscal year 2004 was $4,799,000 and for fiscal year 2003 rent received net of the deferred lease revenue amortization amounted to $1,619,000. These amounts are included in reimbursable services on the Statements of Budgetary Resources and Financing. Total rental revenue for the remaining period of the 10-year lease is as follows:

Dollars in thousands

Fiscal year ending September 30	Total rental revenue[a]
2005	4,856
2006	4,916
2007	4,978
2008	5,045
2009	5,111
2010	5,179
Total	$30,085

[a]If option years are exercised.

Note 8. Leases

Capital Leases

GAO has entered into capital leases for office and computer equipment under which the ownership of the equipment covered under the leases transfers to GAO when the leases expire. When GAO enters into these leases, the present value of the future lease payments is capitalized, net of imputed interest, and recorded as a liability. The acquisition value and accumulated depreciation of GAO's capital leases are shown in Note 3, Property and Equipment, Net. As of September 30, 2004 and 2003, the capital lease liability was $5,934,000 and $9,647,000, respectively. This decrease in capital lease liability is a result of making final lease payments for a substantial number of agency laptop computers during fiscal year 2004 that continue to be used in fiscal year 2005.

These lease agreements are written as contracts with a base year and option years. The option years are subject to the availability of funds. Early termination of the leases for reasons other than default is subject to a negotiation between the parties. These leases are lease to ownership agreements. GAO's leases are short-term in nature, and no liability exists beyond the years shown in the table below. GAO's estimated future minimum lease payments under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2005	$3,161
2006	2,006
2007	1,042
Total Estimated Future Lease Payments	6,209
Less: Imputed Interest	(275)
Net Capital Lease Liability	$5,934

Operating Leases

GAO leases office space, predominately for field offices, from the General Services Administration and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2004 and fiscal year 2003 amounted to approximately $7,991,000 and $7,526,000, respectively. GAO's estimated future minimum lease payments for field office space under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2005	$7,833
2006	3,893
2007	3,352
2008	2,972
2009	2,845
2010 and thereafter	9,763
Total Estimated Future Lease Payments	$30,658

Leased property and equipment must be capitalized if certain criteria are met (see Capital Leases description). Because property and equipment covered under GAO's operating leases do not satisfy these criteria, GAO's operating leases are not reflected on the Balance Sheet. However, annual lease costs under the operating leases are included as components of net cost by goal in the Statement of Net Cost.

Note 9. Net Cost of Operations

Expenses for salaries and related benefits for fiscal year 2004 and fiscal year 2003 amounted to $389,104,000 and $372,060,000, respectively, which were about 79 percent of GAO's annual net cost of operations in both years. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of $25,884,000 in fiscal year 2004 and $24,757,000 in fiscal year 2003.

Revenues from reimbursable services are shown as an offset against the full cost of the goal to arrive at its net cost. GAO's pricing policy is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law. Earned revenues that are insignificant or cannot be associated with a major goal are shown in total, the largest component of which is rental revenue from the lease of space in the GAO building. Revenues from reimbursable services for fiscal year 2004 and fiscal year 2003 amounted to $8,015,000 and $3,857,000, respectively. Of the revenues from reimbursable services received in fiscal year 2004, $7,939,000 were intragovernmental—substantially from USACE, $4,799,000; Federal Deposit Insurance Corporation, $1,540,000; and Securities and Exchange Commission, $849,000. Likewise, in fiscal year 2003 the amount of revenues from reimbursable services from other governmental entities was $3,746,000, of which $1,621,000 was from USACE and $1,505,000 was from the Federal Deposit Insurance Corporation. The increase between fiscal years 2003 and 2004 is a result of new audit work with the Securities and Exchange Commission as well as the rental credit to USACE being fully applied through fiscal year 2003 (see Note 7).

The net cost of operations represents GAO's operating costs that must be funded by financing sources other than revenues earned from reimbursable services. These financing sources are presented in the Statement of Changes in Net Position.

Note 10. Budgetary Resources

Budgetary resources made available to GAO include current appropriations, unobligated appropriations, and reimbursements arising from both revenues earned by GAO from providing goods and services to other federal entities for a price (reimbursable services), and cost-sharing and pass-through contract arrangements with other federal entities.

For fiscal year 2003, differences exist between the total budgetary resources on the Statement of Budgetary Resources and the budget authority amount in the President's Budget. These differences are due to (1) unobligated funds available in expired accounts not included in the President's Budget submission and (2) reimbursements from cost-sharing and pass-through contract arrangements that could not have been anticipated at the time the President's Budget was developed. In addition, as the fiscal year 2006 President's Budget is not yet available, comparison between the Statement of Budgetary Resources and the actual fiscal year 2004 data in the President's Budget cannot be performed.

Fiscal year 2004 reimbursements from cost-sharing and pass-through contract arrangements consisted primarily of collections from other federal entities for the support of the Federal Accounting Standards Advisory Board and collections from other federal entities that utilize GAO contracts to obtain services. The costs and reimbursements for these activities are not included in the Statement of Net Cost.

Note 11. Components That Generate Resources in Future Periods

Decreases in workers compensation, accrued annual leave, and other liabilities are reported in the Statement of Financing. These changes represent the decreases in liabilities not covered by budgetary resources, as reported in Note 4.

Dollars in thousands

Fiscal year ending September 30	2004	2003
Liabilities not covered by budgetary resources, as disclosed in Note 4	$50,609	$55,952
Liabilities that are not components of net cost:		
Capital leases	(5,934)	(9,647)
Current year liabilities not covered by budgetary resources that are components of net cost	44,675	46,305
Prior year liabilities that are not components of current year net costs	(46,305)	(46,646)
Decrease in Workers' Compensation, Accrued Annual Leave, and Other Liabilities, as reported on the Statement of Financing	$(1,630)	$(341)

Note 12. Davis-Bacon Act Trust Function

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act receipts and payments and publishes separate, audited financial statements for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, DOL investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If DOL concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds in an account with the U.S. Treasury, and remits payment to the employee. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets under GAO's administration totaled approximately $4,752,000 as of September 30, 2004. These assets are not the assets of GAO or the federal government and are held for distribution to appropriate claimants. During fiscal year 2004, receipts and disbursements in the trust amounted to $1,249,000 and $1,021,000, respectively. Because the trust assets and related liabilities are not assets and liabilities of GAO, they are not included in the accompanying financial statements.

Audit Advisory Committee's Report

The Audit Advisory Committee (the Committee) assists the Comptroller General in overseeing the U.S. Government Accountability Office's (GAO) financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Performance and Accountability Report, including its financial statements, and provides comments to management who has primary responsibility for the Performance and Accountability report. The Committee met two times with respect to its responsibilities as described above. During these sessions, the Committee met with the internal and external auditors without GAO management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Based on procedures performed as outlined above, we recommend that GAO's audited statements and footnotes be included in the 2004 Performance and Accountability Report.

Sheldon S. Cohen
Chairman
Audit Advisory Committee

Independent Auditor's Report

COTTON & COMPANY LLP
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INDEPENDENT AUDITOR'S REPORT

Comptroller General of the United States

Cotton & Company LLP audited the Government Accountability Office's (GAO)'s Balance Sheets as of September 30, 2004 and 2003, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the years then ended. We found:

- The financial statements referred to above are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- GAO maintained effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations,
- GAO's financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and
- No reportable noncompliance with laws and regulations we tested.

The following four sections discuss the above conclusions in more detail. Our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information appear below, under the caption Consistency of Other Information.

Opinion on Financial Statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GAO as of September 30, 2004 and 2003, and its net costs, changes in net position, budgetary resources, and financing for the years then ended in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2004, based on criteria established under the Federal Managers' Financial Integrity Act (FMFIA).

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Opinion on FFMIA Compliance

In our opinion, GAO's financial management systems substantially complied with the three FFMIA requirements: (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level, as of September 30, 2004.

Compliance with Laws and Regulations

The objective of our audits was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion. However, our tests for compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under *Government Auditing Standards* or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements.*

This conclusion is intended solely for the information and use of the management of GAO, OMB, and Congress and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Consistency of Other Information

We conducted our audits for the purpose of forming an opinion on the fiscal year 2004 and 2003 financial statements taken as a whole. Certain portions of the Performance and Accountability Report are not a required part of the basic financial statements, but are required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements,* and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*.

There are two types of material within GAO's Performance and Accountability Report that are not a part of GAO's basic financial statements: MD&A and other accompanying information. MD&A describes GAO and its missions, activities, program and financial results, and financial condition. MD&A is required supplementary information. With respect to GAO's MD&A, we made certain inquiries of management and compared the information for consistency with GAO's audited financial statements and against other knowledge we obtained during our audits. Other accompanying information consists of the full Performance and Accountability Report except for the MD&A, the basic financial statements and notes to the financial statements, and this auditor's report. With respect to other accompanying information, we compared the information for consistency with the audited financial statements. Based on these limited procedures, we found no material inconsistencies between either the MD&A or the other accompanying information and the financial statements or notes. However, we did not audit the MD&A or the other accompanying information, and express no opinion on them.

Management's Responsibility

Management is responsible for:

- Preparing the financial statements in conformity with U.S. generally accepted accounting principles,
- Establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met,
- Implementing, maintaining, and assessing financial management systems to provide reasonable assurance of substantial compliance with the requirements of FFMIA, and
- Complying with applicable laws and regulations.

Auditor's Responsibility and Methodology

Cotton & Company LLP performed its audits and examinations in accordance with *Government Auditing Standard*s, U.S. generally accepted auditing standards, the American Institute of Certified Public Accountants' (AICPA) attestation standards, and OMB Bulletin No. 01-02. We believe our audits and examinations provide a reasonable basis for our opinions.

We are responsible for planning and performing our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

We have examined management's assertion that GAO maintained effective control over financial reporting (including safeguarding of assets) and compliance with applicable laws and regulations as of September 30, 2004, based on internal GAO evaluations using criteria established in FMFIA. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination. We conducted our examination in accordance with attestation standards established by the AICPA and *Government Auditing Standards* and, accordingly, obtained an understanding of internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations; tested and evaluated the design and operating effectiveness of internal control; and performed other procedures considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

With respect to internal control related to significant performance measures included in the MD&A, we obtained an understanding of the design of internal control relating to the existence and completeness assertions and determined whether they had been placed in operation, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such control.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate as the result of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have examined management's assertion that, as of September 30, 2004, GAO's financial management systems substantially complied with the three FFMIA requirements: (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the SGL at the transaction level. Management's assertion was based on internal GAO evaluations using compliance indicators set forth in OMB guidance, dated January 4, 2001, *Revised Implementation Guidance for FFMIA*, and criteria in OMB Circulars A-127, *Financial Management Systems*, and A-130, *Management of Federal Information Resources*. Our responsibility is to express an opinion on whether GAO's financial management systems substantially complied with the above-mentioned requirements, based on our examination. We conducted our examination in accordance with attestation standards established by the AICPA and *Government Auditing Standards* and, accordingly, we examined, on a test basis, evidence about GAO's substantial compliance with those requirements, and performed such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of GAO's financial management systems' compliance with specified requirements.

We are responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2004. We caution that noncompliance may occur and may not be detected by these tests, and that such testing may not be sufficient for other purposes.

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We noted other nonreportable matters involving internal control and its operation that we will communicate in a separate management letter.

COTTON & COMPANY LLP

Charles Hayward, CPA

Alexandria, Virginia
November 1, 2004

PART IV

Appendixes

Source: See Image Sources.

1. Accomplishments and Other Contributions

In pursuing our strategic goals during fiscal year 2004, we recorded hundreds of accomplishments and made numerous other contributions. This appendix provides details on the most significant of these. In reporting accomplishments (designated by an *A* in the item number below) and other contributions (designated by a *C* in the item number below), we are holding ourselves accountable for the resources we received to implement our strategic plan. The accomplishments document financial or other benefits achieved through action on our findings or recommendations.

Typically, the accomplishments describe work that we completed in prior fiscal years because it takes time to implement recommendations, realize benefits, and record them. The other contributions, which often refer to work completed in fiscal year 2004, describe instances in which we provided information or recommendations that aided congressional decision making or informed the public debate to a significant degree.

Strategic Goal 1

Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People

Source: See Image Sources.

The Health Needs of an Aging and Diverse Population

1.1.A. Improving Veterans' Access to Noninstitutional Long-Term Care Services: In response to our review of the Department of Veterans Affairs' (VA) noninstitutional long-term care services, VA took actions to improve veterans' access to these services—including adult day health care, geriatric evaluation, respite care, home-based primary care, homemaker/home health aide, and skilled home health care. As we recommended, VA specified the home health services that medical facilities must make available and notified facilities that they must use VA's eligibility standards, rather than establish different local standards, in making noninstitutional services available. (GAO-03-487)

1.2.A. Reforming Medicare Inpatient Hospital Payments: We provided information on hospital labor markets to the Congress that resulted in changes to the criteria hospitals must meet in order to be reassigned to a different labor market. Medicare payments to hospitals are adjusted to reflect the varying labor costs of providing services across labor markets. Each metropolitan statistical area is considered to be a single labor market, and all areas outside of metropolitan areas in each state are treated as a single labor market. Some hospitals indicate that the wages they must pay are higher than the average wages in their metropolitan statistical area because they must compete for employees in nearby areas that offer higher wages. To address this issue, the Congress established an administrative process that allows hospitals meeting the criterion concerning their average wages and proximity to a higher-paying area to obtain a geographic reclassification. We analyzed hospital labor markets based on the commuting patterns of hospital employees and identified commuting criteria that could be incorporated into geographic reclassification. The commuting criteria would enable hospitals located outside proximity thresholds but still competing for labor with higher cost areas to qualify for geographic reclassification to a higher cost area. Our work assisted the Congress in developing legislation to incorporate commuting patterns into geographic reclassification criteria. The revisions were incorporated as Section 505 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173). (Based on briefing)

1.3.A. Improving Outreach to Low-Income Medicare Beneficiaries: In several reports, we found that many eligible low-income Medicare beneficiaries are not enrolled in federal or state programs that provide financial assistance with Medicare costs. We also found that a 2002 Social Security Administration (SSA) mailing to low-income Medicare beneficiaries resulted in 74,000 additional beneficiaries enrolling in these programs. Our analysis of this 2002 mailing helped the Congress include a similar outreach requirement in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173) to notify low-income beneficiaries of the availability of new subsidies to assist with drug costs. (GAO-04-363)

1.4.A. Increasing Opportunities to Enhance Medicare Program Integrity: Staffing companies that contract with physicians have not been allowed to enroll in Medicare and directly bill the program. Instead, these companies submit claims to Medicare on behalf of their contractor physicians. As a consequence, the Centers for Medicare & Medicaid Services (CMS) was unable to readily identify contractor physicians, the claims they submit, and

the staffing companies with which they associate. In response to a mandate, we examined about 2.8 million Medicare claims and compared the billings of physicians that contract with staffing companies with the billings of other physicians. To enhance Medicare's program integrity, we suggested and the Congress ultimately included a provision permitting the reassignment of benefits to staffing companies that retain contractor physicians in the recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173). (GAO-03-185)

1.5.A. Improving Nursing Home Care: Our work over the past 5 years has helped raise public awareness of the unacceptable conditions prevalent in some 15 percent of America's nursing homes, where serious and recurring problems have harmed patients. As we recommended, CMS, which oversees nursing facilities, is increasing the number of federal comparative surveys designed to identify weaknesses in state oversight. A comparative survey involves a federal survey team conducting a complete, independent survey of a home shortly after the state's survey to compare and contrast the findings. We believe that federal comparative surveys, which CMS plans to more than double, provide the most accurate picture of the adequacy of state survey activities. (GAO/HEHS-00-6)

1.6.A. Eliminating Medicaid's Upper Payment Limit Loophole: In a series of products, we reported on a financing scheme that was used by some states to generate additional federal monies under the joint federal- and state-funded Medicaid program. Under this scheme, states took advantage of a loophole in Medicaid's upper payment limit requirement and created the illusion that they made large Medicaid payments in order to generate federal matching payments. In reality, states made these large payments to certain providers, such as local-government-owned nursing homes, only to require the return of these payments to the states. Citing our work as key evidence, the Department of Health and Human Services (HHS) developed and published a regulation in 2001 that phases out this loophole with resulting financial benefits to the federal government. Using estimates from HHS, we reported last year that the estimated financial benefits were $5.9 billion for fiscal years 2002 through 2004. Using estimates from the same agency, we are reporting this year that the present value of the estimated financial benefits will be $10.1 billion for fiscal years 2005 and 2006. (GAO/T-HEHS-00-193)

1.7.A. Reducing Medicare Home Health Care Payments: The Congress directed us to evaluate payments for home health care in order to help decide whether to implement, modify, or eliminate a planned reduction of Medicare home health payments. We determined that Medicare's payments for home health care episodes were, on average, about 35 percent higher than the estimated costs of the home health care provided for the time period covered by our study—the first 6 months of 2001. On the basis of this finding, we asked the Congress to consider making no change in the requirement for a reduction in Medicare home health payments. The payment reduction was implemented in fiscal year 2003. The Congressional Budget Office estimated the cost of eliminating the Medicare home health payment at about $5 billion for 5 years. Thus, the present value of the financial benefit of our work is about $4.7 billion for fiscal years 2003 through 2007. (GAO-02-663)

1.8.A. Providing Health Care Assistance to Mobilized Reservists' Families: We recommended that the Department of Defense (DOD) provide health care assistance to families of mobilized reservists through its health care system called TRICARE. In response, officials in the Office of the Assistant Secretary of Defense for Reserve Affairs have ensured that all the information related to health care that mobilized reservists' families need is available on TRICARE's and Reserve Affairs' Web sites. The office has also developed brochures describing reservists' medical and dental benefits. DOD has developed a commanders' briefing on health protection and health care benefits that is used to inform reservists of their benefits and their families' benefits when the member is mobilized. (GAO-02-829)

1.9.A. Revising the Consumer Product Safety Commission's Methods for Estimating Fire Losses: In 1999, we recommended that the Consumer Product Safety Commission identify a more accurate method for calculating fire losses as part of its assessment of the need, cost, and benefits of a upholstered furniture flammability standard. In

response to our recommendations, the commission made several changes that should result in better estimates of fire losses. (GAO/HEHS-00-3)

1.10.A. Improving the Nation's Capability to Detect and Respond to Drug Use: Despite some enhancements that had been made prior to our work, we raised concerns about the nation's ability to detect and respond to emerging drug crises and recommended specific actions that the Director of the Office of National Drug Control Policy should take to improve the nation's drug use detection and response capability. Since then, the office has taken and continues to take steps—such as supporting the expansion and redesign of the National Household Survey on Drug Abuse and the design and implementation of the Arrestee Drug Abuse Monitoring program—to improve the nation's data collection systems and the usefulness of drug-related data. The office also works with localities to identify emerging drug problems and develop initiatives to address them. (GAO/HEHS-98-130)

1.11.A. Improving Medical and Dental Screening of Army Reservists: To help ensure that early-deploying reservists are healthy enough to carry out their duties, we recommended that the Army make sure that the 5-year physical examinations for early-deploying reservists under 40 and the biennial physical examinations for early-deploying reservists over 40 are current and complete. We also recommended that the Army comply with existing statutory requirements to make sure that the required dental examinations and treatments for all early-deploying reservists are complete. The Army responded by contracting for services so that the statutory requirements for physical examinations for reserve personnel will be met. Under the contract, physical examinations and other medical services are being provided to reservists through the Federal Strategic Health Alliance—a joint partnership involving DOD, VA, and HHS. In addition, the Army (1) now provides dental assessments to reservists through the Federal Strategic Health Alliance, (2) increased its emphasis and efforts to use automated tracking of all dental readiness through a Web-based system, and (3) increased its marketing and education about the availability of the reserve dental plan to reservists. (GAO-03-437)

1.12.A. Protecting Human Research Subjects from Institutional and Investigator Financial Conflicts of Interest: In our work on financial conflicts of interest in biomedical research conducted by academic research institutions, we found that there was no direct link between HHS's regulations governing individual investigators' financial interests and HHS's regulations governing human subjects' protection. At the level of academic research institutions, this meant that information about investigators' financial interests was not necessarily conveyed to an institutional review board for consideration when they reviewed research proposals for risks to human subjects. We also found that HHS had not provided detailed advice on managing institutional financial conflicts of interest and we recommended that it develop guidance or regulations in this area. Our work helped spur HHS to issue guidance in May 2004 that addresses the issues that we raised. (GAO-02-89)

1.13.A. Improving the Efficiency of DOD's Disability Program: In an October 2001 report, we recommended that DOD establish procedures to facilitate and expedite the process used by beneficiaries of the Program for Persons with Disabilities when they must reapply for benefits after moving from one TRICARE region to another. We reported that some patients have been inconvenienced and experienced service delays. DOD changed its policy and now requires that the TRICARE contractor in the gaining region honor the authorization issued by the losing region, therefore minimizing reapplication, inconvenience to patients, and service delays. (GAO-02-73)

1.14.A. Prioritizing Research on Toxic Chemicals: We reported that federal and state efforts to collect data on human exposure to toxic chemicals were limited, in part, because of the lack of laboratory methods for measuring some chemicals. We recommended that the Secretary of Health and Human Services coordinate with the Administrator of the Environmental Protection Agency (EPA) and develop a strategy that establishes research priorities for laboratory methods development and a mechanism or process for setting chemical monitoring priorities. HHS's Centers for Disease Control and Prevention, with input from EPA, has established such a chemical nomination process. We also recommended that HHS and EPA work together to identify common or complementary performance

goals that could be a basis for structuring and supporting interagency collaborations to collect and use human exposure data. In line with this recommendation, the heads of these agencies have signed a memorandum of understanding that delineates issues of mutual interest and serves as a framework for improving HHS's and EPA's cooperative working relationship in collecting environmental health data. (GAO/HEHS-00-80)

1.15.A. Improving Guidance on Bioterrorism Preparedness for State and Local Officials: We found that officials from response organizations in seven states (1) reported a lack of guidance from the federal government on what it means to be prepared for bioterrorism and (2) expressed a desire for increased information sharing among state and local jurisdictions of best practices on various types of bioterrorism preparedness activities. Consistent with one of our recommendations, the Centers for Disease Control and Prevention developed interim evidence-based performance goals for public health disaster preparedness and distributed them to state and local public health departments for their current use. In addition, the Department of Homeland Security (DHS) is incorporating the public health performance goals into a federal effort to standardize state and local public health departments' bioterrorism preparedness exercises and training. Also, the Centers for Disease Control and Prevention, in coordination with the American Medical Association, held its First National Congress on Public Health Readiness in July 2004, with the purpose of providing a forum for discussion, information sharing, resource development, networking, and collaboration with key partners. (GAO-03-373)

1.16.A. Targeting National Health Service Corps Placement Options: Over the past decade, we have reported and testified that changing the law to allow greater use of the National Health Service Corps loan repayment program would provide greater opportunity to stretch program dollars and improve provider retention. We also recommended that the Congress consider eliminating the option for National Health Service Corps scholarship recipients to fulfill their service obligation under the National Research Service Award. We reported that while the research efforts of these scholarship recipients may be important in their own right, the costs borne by the National Health Service Corps did not result in any benefits related to meeting the program's goal of providing primary care providers to health professional shortage areas. When the Congress subsequently reauthorized the National Health Service Corps in 2002, it implemented our recommendations. (GAO/HEHS-96-28, GAO/T-HEHS-97-204, GAO/T-HEHS-00-81, and GAO-01-1042T)

1.17.A. Expediting the Openings of Outpatient Clinics: In our review of veterans' access to VA health care in the Chattanooga, Tennessee, area, we noted that additional community-based clinics would improve veterans' access to outpatient services. In August 2003, VA announced plans to open new clinics after fiscal year 2010 to serve Chattanooga-area veterans. Consistent with our recommendation that expeditious openings of these clinics be explored, the Secretary announced in May 2004 that VA would open two new outpatient clinics near Chattanooga in fiscal years 2006 and 2007. (GAO-04-162)

1.18.A. Better Managing VA's Capital Assets: In 1999, we reported that better management of VA's inventory of capital assets could significantly reduce funds used to operate unneeded or outdated medical facilities in markets where facilities have excess capacity, provide duplicate services, or are aged or inefficient. For example, we found that VA could meet veterans' health care needs more efficiently by closing one of its four Chicago-area medical facilities and that many of VA's facilities are no longer well suited to providing accessible, high quality, cost-effective health care in the 21st century because they were built more than 50 years ago. As we recommended, VA assessed its use of existing assets in relation to its mission. In May 2004, on the basis of its assessments, VA (1) decided to close inpatient medical facilities in five cities and shift inpatient services to other VA medical facilities; (2) decided to consolidate selected inpatient services from six other medical facilities with other VA medical facilities that already provide those services; (3) announced its decisions concerning a long-term capital investment plan that included more than 100 major construction projects in 37 states, the District of Columbia, and Puerto Rico for modernizing medical facilities; and (4) announced its intention to dispose of over 3.6 million square feet of unneeded assets. We also reported that VA could enhance veterans' health care benefits by assessing the advantages of restructuring its inventory of capital assets

or purchasing care from other public or private providers who are located closer to where veterans live. As we recommended, VA conducted market-based assessments of its service delivery practices and identified 39 geographic areas where veterans face lengthy travel to access VA inpatient services. Consequently, VA decided to reduce veterans' travel times to access care by (1) constructing new medical facilities to serve veterans in 2 areas, (2) adding nonacute inpatient services such as spinal cord injury or blind rehabilitation to 7 geographic areas where VA currently does not provide such services, and (3) purchasing inpatient services through contracts with local providers or collaborative arrangements with DOD to serve veterans in 27 areas. VA plans to continue studying alternatives for reducing lengthy travel times in 3 other geographic areas. (GAO/HEHS-99-145)

1.19.A. Clarifying the Definition of Abuse to Benefit Nursing Home Residents: We found that states had various interpretations of CMS's definition of abuse. These interpretations affected whether nurse aides were reported to state nurse aide registries, which could prevent them from obtaining employment in a nursing home. To better protect nursing home residents, we recommended that CMS clarify the definition of abuse and ensure that states apply that definition consistently and appropriately. CMS implemented our recommendation by sending a memorandum to state survey agency directors, clarifying its definition of abuse and by instructing them to report suspected abuse to law enforcement authorities and, if appropriate, to the state's Medicaid Fraud Control Unit. (GAO-02-312)

1.20.A. Developing a Strategy for Expanding Childhood Vaccine Stockpiles: Our report on childhood vaccine shortages underscored the need for strategic planning and improved communication between federal agencies to help ensure a stable supply of recommended pediatric vaccines. We identified multiple factors that contributed to recent shortages and explored federal agencies' options for mitigating future shortages. As a result, the Centers for Disease Control and Prevention developed a strategic plan to expand national stockpiles of pediatric vaccines and worked with the Food and Drug Administration (FDA) to implement procedures for systematic interchange of information between them. In addition, FDA now makes available compliance program guidelines to vaccine manufacturers, which will help manufacturers understand evolving expectations for inspections. (GAO-02-987)

1.21.C. Informing the Debate on Geographic Variations in Spending: The Congress is seeking information about the scope and determinants of geographic variations in private sector health care spending in order to better target cost containment initiatives. As part of our work on geographic variations in spending in the Federal Employees Health Benefits Program, we identified Milwaukee as one of the most expensive areas of the country to receive medical treatment, in part because of the high prices of inpatient and physician services. Our analysis confirmed stakeholder perceptions that provider consolidation was a contributing factor that enabled providers to negotiate high prices with insurers and other payers. (GAO-04-1000R)

1.22.C. Improving Oversight of the Medicaid Program to Protect the Program's Fiscal Integrity: In a series of reports reviewing HHS's and CMS's oversight of state-administered Medicaid programs, we found that HHS and CMS were not adequately protecting the fiscal integrity of the federal- and state-financed Medicaid program. We found that CMS's decision to lengthen the time that two states could claim federal Medicaid funding through these financing schemes would allow these states to receive over $600 million more in federal matching funds than they could have claimed otherwise. We also questioned HHS's use of authority to waive certain Medicaid requirements for states seeking to deliver services through demonstration projects. HHS had not ensured that, in line with its policy on budget neutrality, the four approved demonstrations would not cost the federal government more. CMS agreed with our recommendations that it improve its oversight of the upper payment limit arrangements, and HHS agreed with several of our recommendations for strengthening demonstration approval and oversight. (GAO-04-228, GAO-04-480, and GAO-04-574T)

1.23C. Improving Medicare Communications with Providers: We placed 300 calls to 34 Medicare call centers and found that only 4 percent of the responses to the policy-oriented questions frequently asked by providers that we posed were correct and complete. Several factors, including

fragmented sources of information, confusing policy information, and difficulties in retaining customer service representatives responding to these calls, appear to account for the lack of correct and complete answers. Although many call centers serving other industries handle incoming calls by first identifying the nature of the call and then routing it to the customer service representative who is best qualified to respond, CMS has not adopted this approach. We also found CMS's oversight of call centers to be inadequate. CMS agreed with our recommendations that it develop (1) a process to route policy inquiries to staff with the appropriate expertise, (2) clear and easily accessible policy-oriented material to assist customer service representatives, and (3) an effective monitoring program for call centers. (GAO-04-669)

1.24.C. Enhancing Care and Safety for Nursing Home Residents: In July 2004, we reported that nursing home fires in Connecticut and Tennessee reflected systemic weaknesses in both federal and state enforcement of fire safety standards, as well as in the standards themselves. CMS has accepted our recommendations to (1) improve oversight of nursing home fire safety, such as reviewing the appropriateness of exemptions to federal standards granted to facilities without sprinklers, and (2) strengthen the fire safety standards and ensure thorough investigations of any future multiple-death nursing home fires in order to reevaluate the adequacy of fire safety standards. (GAO-04-660)

1.25.C. Targeting of Medicare Ambulance Payments: Following our report on Medicare payments for ambulance trips, we pointed out that the method of targeting higher payments for longer trips in nonurban areas was flawed. Specifically, we reported that trips in less densely populated areas tend to be more costly than trips in other areas. Ambulance trip volume is the key factor affecting differences in ambulance providers' average cost per trip. The majority of ambulance providers' total costs are related to their need to have ambulances and crew available when an ambulance is required. As long as a provider has excess capacity, these readiness-related costs are fixed and do not increase with the number of trips. Consequently, providers that make fewer trips tend to have a higher cost per trip than those that make many trips. As a result of our report, the Congress increased payments for trips by adapting our method of making higher payments for trips in counties with lower population densities in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173). (GAO-03-986)

1.26.C. Enhancing Congressional Oversight of an HHS Waiver Authority: We found that the Secretary of HHS continues to exercise his waiver authority to permit use of State Children's Health Insurance Program funds for demonstration projects that provide health coverage to childless adults. We originally raised this as a concern in a July 2002 report and in our January 2004 correspondence, we maintained that this practice is not consistent with the statutory goals for the program. Subsequently, the Senate introduced a bill that would prohibit use of this program's funds for childless adults and require improvements in the waiver approval process. These proposals are consistent with the matters for congressional consideration in our July 2002 report. (GAO-04-166R)

1.27.C. Exposing Bogus Health Insurance Entities That Exploit Employers and Individuals Seeking Affordable Coverage: In a March 2004 report and testimony, we found that between 2000 and 2004, 144 bogus health insurance entities had been identified; these had exploited at least 15,000 employers and 200,000 policyholders by selling health benefits despite not being authorized to do so. These entities left more than $250 million in unpaid medical claims. Our findings were used by the Congress to highlight the vulnerability of individuals and small employers to these bogus entities. In response, the National Association of Insurance Commissioners and the trade association America's Health Insurance Plans have each announced enhanced public information campaigns to caution employers and individuals about these bogus entities. (GAO-04-312)

1.28.C. Alerting Consumers to Potential Safety Risks of Purchasing Prescription Drugs over the Internet: We found that consumers face safety risks when purchasing prescription drugs over the Internet. Posing as consumers, we purchased prescription drugs from Internet pharmacies in the United States and around the world and received a wide range of drugs—including narcotics—without providing a prescription. We also received drugs that contained no instructions for use or safety warnings and drugs that were unap-

proved, mishandled, and counterfeit. These findings have helped shape ongoing congressional debate about whether to allow consumers to reimport prescription drugs from other countries and how to ensure that reimported drugs are safe and effective. (GAO-04-820 and GAO-04-888T)

1.29.C. Ensuring That VA Practitioners Have the Professional Credentials and Personal Backgrounds to Provide Safe and Appropriate Health Care to Veterans: In response to recent events that have raised concerns about VA's screening of its health care practitioners, the Congress asked us to examine VA's policies and practices intended to ensure that health care practitioners at VA facilities have appropriate professional credentials and personal backgrounds to provide care to veterans. We testified in March 2004 that while the screening requirements for certain VA practitioners, such as physicians and dentists, were adequate, screening requirements for other practitioners, such as nurses and respiratory therapists, were not adequate and created vulnerabilities that could place veterans at risk. In addition, we found a lack of oversight of human resource functions by VA headquarters and mixed compliance with existing VA screening requirements at facilities visited. VA is in the process of strengthening its screening procedures for health care practitioners and has created an office in its headquarters to provide oversight of human resource functions in its health care facilities. (GAO-04-566)

The Education and Protection of the Nation's Children

1.30.A. Ensuring Access to Postsecondary Education in the District of Columbia: In 2002, we reported on problems with procedures to determine eligibility for the D.C. Tuition Assistance Grant program and with its promotional materials. About half of all applicants deemed ineligible may not have had their applications fully reviewed by program officials, and the pamphlet promoting the program was so confusing that it could cause frustrated District of Columbia residents to discontinue their efforts to pursue grant aid through the program. Acting on our recommendations, the Tuition Assistance Grant program changed its policy to require that all applicants receive a complete review and verification of all eligibility factors, and revised its pamphlet to clarify and provide more information. This will help reduce barriers to participation and make it easier for applicants to obtain grant assistance through this program. (GAO-02-265)

1.31.C. Protecting Children from Abuse and Neglect: Each year about 900,000 children are victims of abuse or neglect, and the federal government spends over $7 billion to support state and local efforts to protect these children from further abuse or neglect and ensure the safety, permanency, and well-being of all children. During this fiscal year, we reported and testified on national child welfare financing, workforce, and data issues and federal oversight of state child welfare programs as well as conducted congressionally mandated studies of the District of Columbia's child welfare program, including related operations of its Family Court. Partly on the basis of our testimony, the Congress appropriated $14 million to the District of Columbia to help improve its foster care system. Also in response to our findings and recommendations, HHS provided additional guidance to help ensure that states abide by the restrictions on the use of funds for services to help families address problems that lead to child abuse and neglect. (GAO-04-267T, GAO-04-234, GAO-04-418T, GAO-04-377, GAO-04-333, GAO-04-685T, GAO-04-781T, and GAO-04-1017)

1.32.C. Promoting Healthy Eating in Schools: The rising rate of obesity among the nation's youth has focused added attention on child nutrition and the need for a healthy eating environment in schools. Through a series of reports on child nutrition over the last 2 years, we highlighted the availability in schools of foods with limited nutritional value and gaps in nutrition education provided to school-age children. These reports helped inform the Congress as it reauthorized the school meal programs, and the Congress added measures, such as requiring each school district to develop a wellness policy, that could help address a number of the issues we identified. (GAO-04-673, GAO-04-528, GAO-03-569, and GAO-03-506)

1.33.C. Helping Children and Youth at Risk of Failure: There is great concern about whether American children are being prepared to succeed in school. We issued reports in 2004 that should improve the access of low-income children to Head

Start services so they may become better prepared for school; help disadvantaged children receive mentoring services more quickly to help them stay in school; ensure that children with disabilities are taught by highly qualified teachers; provide strategies to improve the academic performance of students in small, isolated school districts; and ensure that public schools are effectively determining whether they meet academic proficiency goals. The Congress has used this information to inform its deliberations on reauthorizing the Head Start program and programs covered by the Individuals with Disabilities Education Act. For example, Head Start reauthorization bills incorporated enhanced requirements for teacher training and measures to ensure that underenrollment is promptly addressed. In addition, our report on Migrant Head Start program influenced HHS's efforts to establish performance measures for the first time in the program's history and evaluate the program to ensure its effectiveness. In responding to our findings on the lack of state data to determine the number of highly qualified teachers states had, as required by the No Child Left Behind Act, the Department of Education revised and expanded guidance to help states meet this goal. (GAO/HEHS-00-4, GAO-03-631, GAO-04-5, GAO-04-17, GAO-04-581, GAO-04-659, GAO-04-909, GAO-04-734, and GAO-04-879)

The Promotion of Work Opportunities and the Protection of Workers

1.34.A. Modernizing Federal Disability Programs: Federal disability programs at the SSA and VA have experienced significant growth over the past decade and are expected to grow even more as more baby boomers reach their disability-prone years. Yet federal disability programs remain mired in concepts from the past and are poorly positioned to provide meaningful and timely support for workers with disabilities. In light of the projected slowdown in the growth of the nation's labor force, it is imperative that those who can work are supported in their efforts to do so. We have built a substantial body of work examining these issues—calling for a fundamental transformation and modernization of federal disability programs, and adding the modernizing of these programs to our high-risk list in 2003. In the same year, SSA proposed sweeping changes to its disability programs to foster applicants' return to work at all stages of its eligibility determination process and to improve the timeliness and consistency of its decision making. Moreover, both SSA and VA have expressed willingness to improve their quality assurance processes in response to our recommendations. (GAO/HEHS-96-133 and GAO-01-153)

1.35.A. Containing Federal Disability Insurance Costs: In addition to meeting medical eligibility criteria, to establish and maintain eligibility for disability insurance benefits, blind disability insurance beneficiaries must demonstrate that they are not earning above a certain amount—known as the substantial gainful activity (SGA) level. The Congress had introduced legislation that would effectively eliminate the SGA level for the blind. However, we testified in March 2000 that eliminating the SGA would allow working beneficiaries to keep more of their benefits but it would also increase disability insurance costs and fundamentally alter the purpose of the disability insurance program by removing the connection between benefit eligibility and the inability to work. Since the hearing, the Congress has retained the SGA level for the blind. Over the past 2 years, we have reported financial benefits for this work for fiscal years 2001 through 2003. For fiscal year 2004, the financial benefit is estimated to be $700 million, which is a cost avoidance based on estimates from SSA's Office of the Chief Actuary. (GAO/T-HEHS-00-82)

1.36.A. Deterring Supplemental Security Income Overpayments: Complex rules determining eligibility and payment of SSA's Supplemental Security Income program—the nation's largest cash assistance program for the poor—make the program vulnerable to overpayments. SSA has the authority to use various tools to deter overpayments, such as benefit sanctions against individuals who present false or misleading information affecting their benefits. In September 2002, we reported that SSA field staff rarely imposed these sanctions and recommended that SSA reevaluate its current policy to impose sanctions and reduce barriers to their usage and effectiveness. As a result, in October 2002, SSA notified its field offices about the application of sanctions and asked staff to apply them where appropriate. Improved communication and education with field staff will enhance SSA's ability to deter overpayments. (GAO-02-849)

1.37.A. Improving Employment Services to Veterans: We reported on the Department of Labor's Veterans Employment and Training Service (VETS) assistance to veterans in a series of reports and testimony in 2001 and 2002. Acting on our recommendations, VETS identified disabled veterans as a priority, provided incentives to focus the staff in the states on these veterans, and revised its performance measures to ensure this population receives appropriate services and opportunities for employment. VETS also took action to strengthen oversight by improving performance measurement, accountability, and the consistency of its monitoring. For example, VETS specified performance measures for providing training and employment services to veterans that are similar to measures being used in nonveteran programs, which will allow for a better indication of the overall quality of service provided to veterans. In addition, the Congress passed the Jobs for Veterans Act in November 2002 to increase flexibility in the two programs so that VETS can broaden its services to veterans and better meet veterans' needs. (GAO-01-928, GAO-02-192T, and GAO-01-580)

1.38.A. Addressing the Need for High-Skill Workers More Strategically: Our report on federal efforts to meet employers' demand for high-skill workers in America found a lack of coordination across federal agencies to address this need. We also found that local skill grant and scholarship programs sponsored by the Department of Labor and the National Science Foundation had limited opportunity to share information that would identify successful strategies, encourage networking, and attract and retain scholarship grantees. As a result of recommendations we made to remedy these weaknesses, Labor enhanced coordination both within and outside the agency. It partnered its grant program with another Labor component—the Building Relations Group—and is working more closely with the Department of Commerce to improve marketing, outreach and consistency in selecting grantees. In addition, Labor and the National Science Fondation instituted formal and informal mechanisms to facilitate networking among grantees. For example, Labor launched an initiative to link high-skill workers via e-mail and an electronic list group, and the National Science Foundation hired a contractor to coordinate meetings for grantees. (GAO-02-881)

1.39.A. Improving the Administration of the Food Stamp Program: Our work led to changes in two food stamp program options that will help ease the reporting burden for almost all households, help families transition from welfare to work, and may lower food stamp error rates. In February 2002, we found that more states would use the food stamp simplified reporting option if it was expanded to households with unearned income, not just households with earned income. Our report also provided evidence that additional months of support to families transitioning from welfare to work would make the implementation cost of the transitional benefits option worthwhile. In May 2002, the Congress incorporated several of these suggestions into the 2002 Farm Act, including extending transitional benefits to 5 months and expanding the reporting option to include households with unearned income. These changes will reduce reporting requirements for more households, helping to simplify program administration and possibly reducing errors. The changes will also provide more support for families moving from welfare to work and ensure they are better off working than on welfare. In addition, because households will no longer be required to report changes in their circumstances during this transition period, states may have lower error rates for families receiving transitional benefits than for some of their other caseloads. (GAO-02-409)

1.40.C. Addressing the Health Problems of Nuclear Weapons Workers: Through a series of testimonies and reports, we assisted the Congress in crafting major improvements to a program intended to compensate individuals who worked in nuclear weapons facilities and developed illnesses due to exposure to hazardous materials. We highlighted varied problems that had given rise to a slow federal bureaucracy in evaluating these workers' claims for compensation. In addition, we identified program features that would likely lead to inconsistent benefit outcomes for claimants. For example, some claimants would likely receive no compensation from state workers compensation systems, even though the Department of Energy (DOE) had determined that their illnesses were caused by work at a DOE facility. We presented several options for improving the consistency of benefit outcomes and a framework for assessing these options. As a result, the Senate passed legislation that would combine features of two of these options and thereby feder-

alize the payment of benefits but retain states' differing criteria for calculating the amount of benefits. (GAO-04-515, GAO-04-516, GAO-04-298T, GAO-04-294R, and GAO-04-571T)

1.41.C. Informing the Congress of States' Policy Choices in the Evolving Welfare System: Our recent studies, including our 2004 report on how states support low-income families, have focused on changing labor markets and state fiscal conditions, state and local policy choices about welfare program design and services, as well as states' use of federal welfare dollars. This information has helped keep the Congress up to date on key changes in the decentralized welfare system since the landmark 1996 welfare reform legislation. In addition, our findings on how states have used federal welfare funds to increasingly support families' work efforts have provided important information for the Congress as it deliberates over welfare reform reauthorization that will continue to promote work as well as adequately support needy families. (GAO-04-256, GAO-03-1094, and GAO-03-977)

A Secure Retirement for Older Americans

1.42.A. Increasing Safeguards for Social Security Numbers: Our 2002 report that identified weaknesses in the security of information systems prompted many states to improve safeguards to veterans' Social Security numbers. We found that military discharge documents, which generally contain veterans' Social Security numbers, become public records that are available for anyone to review. This can contribute to the rising crime of identify theft. We made recommendations and worked with trade associations to strengthen state laws to ensure greater security for these public documents. As a result, many states enacted new legislation or amended their laws to strengthen safeguards or limit access to these documents, thereby ensuring better protection of Social Security numbers. (GAO-02-352)

1.43.A. Strengthening Operations at the Pension Benefit Guaranty Corporation (PBGC): Our reports on PBGC's contracting practices in 2000 and 2003 identified weaknesses in PBGC's ability to control administrative costs that have legislative limitations, which are subject to congressional review and approval (unlike nonlimitation funds, which are not subject to such review). We made recommendations to the Congress to remedy this weakness, including the possibility of eliminating limitation expenses. This helped influence the Congress to eliminate the distinction between limitation and nonlimitation expenses in 2004, making it easier for PBGC to control administrative and operational expenses, thereby strengthening Congress's ability to provide oversight. We also found weaknesses in the agency's human capital operations that limited the agency's ability to ensure it had the appropriate level of skilled staff to meet its workload challenges. We recommended that PBGC conduct a comprehensive review of its future human capital needs. PBGC contracted with the National Academy of Public Administration to conduct such a study, and PBGC used the results to develop strategies to address recruitment, succession, curriculum development, and outsourcing. These new strategies can better link the agency's staffing with its strategic planning process. (GAO/HEHS-00-130 and GAO-03-301)

1.44.C. Protecting Americans from Identity Theft: Each year, a half million Americans report identity crimes to the Federal Trade Commission. Many of the crimes involve the theft or misuse of an individual's Social Security number. We have built a body of work examining the uses of the Social Security number, the range and adequacy of measures employed to protect it, the ability of federal and state law enforcement to detect and sanction those who steal personal identifiers, and the effectiveness of identity verification processes that could help identify perpetrators of such crimes. Our recent reports, testimonies, and recommendations have helped the Congress consider policy and management improvements that may not only better protect Americans from the financial effects of this crime, but also help prevent potential terrorists from assuming false identities. (GAO-04-11, GAO-04-768T, GAO-04-12, GAO-03-920, GAO-03-1147T, GAO-03-941T, and GAO-02-352)

1.45.C. Reforming Social Security: The unsustainable nature of the Social Security program represents one of the nation's most difficult fiscal challenges. Strategies to address this challenge will affect virtually all Americans, including future generations yet unborn. Our body of analytic work on Social Security reform has contributed substantially to the Congress's and the public's understanding of this critical national issue. Notably, our 2004 report and testimony discussed and illuminated the potential impacts of different reform proposals on the benefits that could accrue to Americans of different earnings levels and different generations and were considered a major contribution toward this understanding. This information can help prepare policy makers to create a financially solvent and economically sustainable Social Security program that will continue to provide adequate income support for older Americans. (GAO-04-872T and GAO-04-747)

An Effective System of Justice

1.46.A. Transforming the Federal Bureau of Investigation to Fight Terrorism: In a series of testimonies over the past 2 years, we stressed the importance of the need for the Federal Bureau of Investigation to develop both strategic and human capital plans. These plans are essential to successful transformation of the Bureau from a traditional crime fighting operation to an organization focused on preventing terrorism. During fiscal year 2004, the Bureau completed both a new strategic plan and a human capital plan that incorporated many of the features that we have long promoted as part of sound planning and as essential ingredients of successful transformation. (GAO-03-759T and GAO-04-578T)

1.47.C. Addressing Departures from Federal Sentencing Guidelines for Drug Offenses: Federal judges use the Federal Sentencing Guidelines to determine sentences. The guidelines' purpose was to enhance the probability that similar offenders convicted of similar crimes would receive similar sentences. Judges may sentence below the sentencing guidelines' range or statutory minimum sentence under certain circumstances, and there was concern that judges were not consistent in their use of such downward departures for drug crimes. We found that prosecutorial decisions accounted for the majority of differences in downward departures for drug crimes. The courts and the U.S. Sentencing Commission agreed to address data problems that limit identifying sentencing departures initiated by judges. (GAO-04-105)

1.48.C. Recommending Improvements for the Targeting of Oceangoing Cargo Containers: In 2003 and 2004, we evaluated the way that the U.S. Customs and Border Protection (CBP) developed and implemented a targeting strategy to assess the risk of incoming oceangoing cargo containers. We recommended that CBP incorporate all key elements of a risk management framework (e.g., conducting threat assessment and mitigation evaluation) and recognized modeling practices (e.g., conducting external peer review and testing through simulated terrorist events), and that CBP improve management controls to better implement the targeting strategy at seaports. CBP agreed with our recommendations, the adoption of which will put CBP in a better position to protect against terrorist attempts to use oceangoing cargo containers to smuggle weapons of mass destruction into the United States. (GAO-04-557T)

1.49.C. Improving the Justice Department's Tracking of Alleged Voting Irregularities: In the wake of the November 2000 election, the Department of Justice received more than 11,000 allegations of voting irregularities, such as being unable to cast a ballot because the voter's name was improperly removed from the voter registration rolls. Complete, accurate, and specific information is important for assessing whether there are specific actions or patterns of behavior that may be violations of federal law. We reviewed how the department recorded these allegations and the actions it took on them and found that the information recorded was often incomplete and not specific. The department agreed to implement our recommendation that it develop and implement for the November 2004 election a reliable method of systematically tracking and documenting its actions on alleged voting irregularities. (GAO-04-1041R)

The Promotion of Viable Communities

1.50.A. Improving Oversight of the HOPE VI Program: In a series of reports beginning in November 2002, we questioned various aspects of the Department of Housing and Urban Development's (HUD) oversight of the $6.2 billion HOPE VI program, a competitive grant program for the revitalization of severely distressed public housing. In response to our work, HUD started providing important HOPE VI program information in annual reports to the Congress, developed a HOPE VI enforcement policy, and published new guidance that clarified the role of HUD's field offices in holding grantees accountable for the status of their grants. These actions will greatly improve HUD's oversight of the HOPE VI program. (GAO-03-555)

1.51.A. Strengthening Lenders' Accountability for Property Appraisals: Property appraisals are an important part of the underwriting process for mortgages insured by HUD because incomplete or inaccurate appraisals resulting in overvaluations may expose HUD to greater financial risks. We found that HUD was not aggressively enforcing its policy to hold lenders responsible for the quality of appraisals used to underwrite HUD-insured mortgages because of disagreement within HUD over its authority to do so. Acting on our recommendations, HUD finalized regulations in July 2004 that, among other things, make lenders whose appraisals do not meet HUD's requirements subject to administrative sanctions. These regulations will help protect HUD's insurance fund, ensure better compliance with appraisal standards, and help ensure that home buyers receive an accurate statement of appraised value. (GAO/RCED-99-72)

1.52.A. Reducing the Cost of Federal Housing Programs: In a September 1999 report, we determined that the potential existed for (1) HUD to better manage unexpended balances and (2) some unobligated funding to be used to meet other needs. We recommended that HUD review its unexpended balances to ensure the expeditious obligation and expenditure of these funds. As a result of this work, the Congress increased HUD's reporting requirements for some of its funds, and HUD instituted a review of unexpended balances in all of its programs. Our briefings with the incoming administration and our April 2001 testimony led to recapturing $3.49 billion—$3.64 billion in current dollars—from HUD's fiscal year 2002 balances. (GAO-01-663T)

1.53.C. Helping Improve Emergency Preparedness Assessments in the National Capital Region: The Washington, D.C., area is a high-risk area for terrorist attacks. In response to a congressional request, we examined how federal funds had been used to enhance the capacity of emergency responders to respond effectively to any attack in the area. We found that it was not possible to assess the readiness of emergency responders in the area because there was (1) no coordinated strategic plan to enhance their preparedness, (2) a lack of standards for their performance, and (3) a lack of systematic data available on monies spent for what with what effect. At a congressional hearing, DHS officials said they would develop data that would help them to assess and monitor progress in achieving preparedness in the region. (GAO-04-433 and GAO-04-904T)

1.54.C. Improving Fair Housing Enforcement: We reported in April 2004 that individuals alleging housing discrimination sometimes faced long waits in having their complaints investigated and decided by HUD. To improve HUD's management and oversight of the fair housing process, we recommended that HUD explore ways to disseminate effective practices used at various enforcement locations, improve tracking and data-gathering procedures, and develop human capital staffing and skill-building strategies. HUD concurred and has taken action to provide training for investigators and attorneys and revise guidance for receiving complaints and conducting investigations. (GAO-04-463)

Responsible Stewardship of Natural Resources and the Environment

1.55.A. Improving the Safety of Underground Storage Tanks: Our recent report and testimonies showed systemic weaknesses and inconsistencies in the states' inspection procedures, equipment, and maintenance requirements for ensuring the safety of the nation's thousands of underground storage

tanks—primarily at gas stations. Acting on our recommendations, EPA is working with states to locate tanks that pose the greatest potential risk of leaking. Our work has also led to proposed legislation to shore up systemic weaknesses and reduce the risk that these tanks will leak and cause significant environmental and health risks. (GAO-01-464, GAO-01-176R, GAO-02-712T, and GAO-03-529T)

1.56.A. Increasing Consumption of Fruits and Vegetables: In response to recommendations in our 2002 report, HHS examined and implemented some of the most promising ideas for increasing fruit and vegetable consumption. For example, HHS awarded a grant increasing funding to 20 states to assist them in implementing the "5-a-day" program, which encourages people to eat five servings of fruits or vegetables each day. In addition, HHS has provided technical assistance to a number of states that are implementing salad bars in schools. These efforts will encourage healthy dietary choices across the nation. (GAO-02-657)

1.57.A. Improving Data on Water Quality: During the past few years, we completed a body of reports and testimony documenting deficiencies in the water quality data that are used as a basis for making critical, multibillion-dollar cleanup decisions. This work has resulted in greater attention (funding and otherwise) in the Congress for improving water quality data, and its recommendations have spurred agencies to undertake their own initiatives to improve water quality monitoring. Our most recent report in this series, which underscores the need to make better use of the data that are collected through better coordination among data-collecting organizations, has already spurred efforts on the part of some agencies to improve their cooperation in this important enterprise. For example, EPA and the U.S. Geological Survey have indicated that to address these concerns, they are exploring additional opportunities for collaboration in order to better support states in their water monitoring efforts. According to the agencies, their general focus will be to find innovative approaches that use available monitoring and assessment tools in a more strategic, integrated, and streamlined manner. (GAO/RCED-00-54 and GAO-04-382)

1.58.A. Improving Environmental Cleanup at Former Defense Sites: Our work over the past 3 years has helped improve DOD's cleanup at over 9,000 former defense sites, many of which are contaminated with hazardous and toxic wastes and unexploded ordnance. As we recommended, DOD has revised its guidance for the cleanup process to require specific actions be taken when assessing properties for cleanup, ensure closer coordination with federal and state regulators, reassess several hundred properties that were improperly assessed, and notify current property owners of the results of its cleanup reviews. (GAO-02-658 and GAO-03-146)

1.59.A. Improving DOE's Contract and Project Management: Over the past decade, we and others have expressed concerns about DOE's contract and project management practices and the resulting wasteful spending on facilities that either fail to work or encounter unnecessary cost increases and schedule delays. Since 1997, we have issued a series of reports focusing on problems managing individual contracts and contractors as well as reports addressing systemic weaknesses in planning for an acquisition and overseeing the work necessary to carry it out. Responding to our recommendations and those of other organizations, DOE (1) in 2000, revised and strengthened its guidance on how to plan for and acquire major assets; (2) in 2001, issued guidance aimed at improving how DOE and its contractors manage major projects; (3) in 2003, decided to compete its contract with the University of California to operate Los Alamos National Laboratory after encountering a series of performance problems; and (4) in 2004, agreed to avoid a concurrent design/build approach when constructing complex nuclear facilities, since that approach has contributed to significant cost overruns and schedule delays on many DOE projects. On the basis of our concerns about how DOE has managed its contract and project management reform initiatives, in 2003, DOE also established a more systematic approach to better ensure that such initiatives are effectively implemented and produce the desired results. (GAO-02-798, GAO-03-570T, GAO-03-932T, and GAO-04-611)

1.60.A. Designing a Risk-Based Approach to Shellfish Safety: In 2001, we reported that FDA's oversight of states' shellfish programs was not risk-based; thus, FDA was not using is limited resources wisely. In response to our recommendations, FDA

designed a risk-based approach to overseeing states' shellfish programs and incorporated it into their fiscal year 2003 to fiscal year 2005 compliance program. Risk factors have been identified for each of the three program elements (growing area classification, processing and shipping, and control of harvest). Based on a scoring system for these factors, FDA shellfish specialists compute a total risk score of high, medium, or low for each program element and use these risk designations to determine the frequency of the evaluation of that program element. As a result, FDA is better able to ensure the safety of domestic and imported shellfish consumed by the public. (GAO-01-702)

1.61.C. Improving Management of the Great Lakes: Our reports and testimony showed inefficiencies in the management of Great Lakes restoration and cleanup activities that have contributed to inefficient expenditure of funds and limited progress in the Great Lakes. Our work led to proposed legislation to establish an organizational entity responsible for improving coordination and funding prioritization for Great Lakes restoration and cleanup activities. (GAO-02-563 and GAO-03-999T)

1.62.C. Defending against Terrorist Attacks on Nuclear Plants: Commercial nuclear power plants have been identified as possible terrorist targets. In 2003, we reported that the Nuclear Regulatory Commission had conducted exercises (mock terrorist attacks) to test the nuclear power plants' defenses. However, these exercises were not realistic enough to provide information on how well a plant could be defended against such attacks. In addition, the commission suspended the exercises subsequent to the September 11 terrorist attacks. We recommended reinstating the exercises with a number of changes that would improve the realism of the exercises and provide more meaningful information on plant defensive capabilities. The commission is reinstituting the exercises in the fall of 2004, including most of the improvements that we recommended. As a result, the commission should be in a better position to determine the ability of the plants to defend against a terrorist attack. (GAO-03-752 and GAO-04-1064T)

1.63.C. Improving the Security of Chemical Facilities: Across the nation, thousands of industrial facilities manufacture, use, or store hazardous chemicals in quantities that could put large numbers of Americans at risk of injury or death in the event of a chemical release. Federal requirements mandate vulnerability assessments in some other critical infrastructures—such as water treatment facilities and nuclear power plants—but there is currently no federal requirement for chemical facilities to assess their vulnerabilities and take steps to reduce them. In addition, although DHS, with assistance from EPA, is beginning vulnerability assessments; no comprehensive assessment of the nation's chemical facilities has been completed. Our 2003 report and February 2004 testimony contributed to several congressional bills calling for increased security measures at chemical facilities nationwide that would help frame a national strategy for security at chemical facilities. (GAO-04-482T and GAO-03-439)

1.64.C. Assessing the Implementation of the 1848 Treaty of Guadalupe Hidalgo: Under the Treaty of Guadalupe Hidalgo, which ended the Mexican-American War, Mexico ceded what is now the southwest United States—including present-day New Mexico—and the United States agreed to "inviolably respect" property of Mexican citizens then living there. Since the time the treaty was signed in 1848, there have been heated debates over how this U.S. obligation should apply to so-called community land grants, which had been made by Spain and Mexico dating back as far as the 17th century and which included land to be used for common purposes as well as individual allocations. We concluded that the United States legally implemented the treaty with respect to community land grants in New Mexico as a matter of U.S. domestic law. However, the stricter standards that the Congress imposed in 1891 for the approval of community land grants resulted in the rejection of claims for 1.28 million acres of land in 17 grants. As a result of our work, for policy or other reasons, the Congress may determine that some kind of additional action may be appropriate. (GAO-04-59 and GAO-04-60)

1.65.C. Reducing the Cost of Federal Farm Programs: In 2004, we testified and reported that the U.S. Department of Agriculture (USDA) did not have measurable standards for those who claim to have an active role in farming, allowing some people and businesses with limited involvement in

farming to circumvent farm payment eligibility rules to qualify for a share of the $15 billion the government pays farmers annually. USDA's regulations also lacked clarity as to whether certain transactions and farming operation structures that we found could be considered schemes to evade the payment rules. By acting to resolve these issues, the government could save millions of dollars in farm payments annually. The Congress has proposed legislation to close these loopholes by, among other things, limiting certain types of payments. Overall, our work provided greater clarity on the most important areas to be addressed. (GAO-04-407 and GAO-04-861T)

1.66.C. Fostering a More Effective Federal Response to Wildland Fires: In more than 25 products since 1999, we have addressed the federal management—principally by USDA's U.S. Forest Service and the Department of the Interior—of wildland fires, which annually consume millions of acres of land and result in catastrophic losses to communities and resources. Our reports and recommendations contributed to the enactment of the Healthy Forest Restoration Act of 2003 and to significant actions by the agencies to strengthen their wildland fire programs, including (1) establishing an interagency coordination body to ensure more effective joint policy, planning, and implementation; (2) funding development of a geospatial data system to better identify wildland fire threats and initiating related enterprise architecture improvements; (3) accelerating completion of agency field unit fire management plans of action to address these threats; (4) securing increased funding to address identified threats; and (5) adopting a performance measure that identifies reductions in the number of acres at highest risk of severe fires. (GAO-02-259, GAO-03-430, GAO-03-805, GAO-03-808R, GAO-04-612, and GAO-04-705)

1.67.C. Reducing Risks in the Federal Farm Program: We reported in June 2004 that USDA's Risk Management Agency needed to improve oversight of insurance companies selling and servicing federally reinsured crop insurance. USDA has spent over $40 million to fund the dissolution of the largest crop insurance company since it failed in 2002, and to ensure that all related farmers' claims were paid. We identified weaknesses in USDA's oversight of crop insurance companies and recommended steps to strengthen federal oversight of these companies and coordination with state insurance regulators. USDA's actions to implement our recommendations will reduce the risk of future company failures and the costs associated with these failures. (GAO-04-517)

1.68.C. Establishing a National Heritage Area Program: The Congress designates geographic sites such as river valleys, canal ways, coal mining areas, and battlefields as national heritage areas to recognize their value to the nation. We found that a more systematic process for identifying sites that qualify as national heritage areas and actions to improve accountability for them are needed. In this regard, we recommended that the National Park Service—which provides funds and assistance to these areas but has no formal program for them—(1) develop consistent standards and processes for reviewing areas' management plans, (2) review areas' financial audit reports, and (3) develop results-oriented goals and measures for the agency's heritage area activities. The Park Service has not taken the needed actions because, without a formal program from the Congress, it lacks adequate direction and funding. On the basis of our work, legislation has been introduced that would establish a National Heritage Area Program within the Park Service, improve the designation process, place limits on federal funding to the areas, and initiate measures we recommended to increase areas' accountability for their use of federal funds. (GAO-04-593T and GAO-04-914T)

1.69.C. Funding Suppression of Wildland Fires: Over the last 5 years, when funds appropriated for wildfire suppression were insufficient, the USDA's Forest Service and the Department of the Interior transferred over $2.7 billion from their other programs to help pay suppression costs. We reported that these transfers affected numerous agency activities and resulted in project cancellations and delays, strained relationships with state and local agency partners, and management disruptions in other agency programs. We recommended the agencies take several measures to minimize the impacts of funding transfers and develop budget requests that more accurately reflect likely suppression costs. We also asked the Congress to consider alternative approaches for funding wildfire suppression activities. Our work increased congressional awareness of the effects of these transfers and influenced introduction of legislative proposals to estab-

lish alternative means for funding wildfire suppression activities in fiscal year 2005, as well as provide supplemental funds for fiscal year 2004 in advance of agencies needing to transfer funds. (GAO-04-612)

1.70.C. Improving Oversight of EPA's Grants: Our many reports and testimonies over the past 2 years have identified the key management challenges that EPA faces in addressing its $4 billion annual investment in grants, which constitute about one-half of the agency's budget. With our assistance, the Congress and EPA are taking actions to strengthen oversight, enhance staff accountability, and optimize the results achieved through grants. (GAO-04-459, GAO-04-510T, and GAO-04-983T)

A Safe, Secure, and Effective National Physical Infrastructure

1.71.A. Improving Federal Oversight of Research Examining the Potential Health Effects of Mobile Phone Service: In 2001, we reported on the status of scientific research on mobile phone health effects and recommended that the Federal Communications Commission (FCC) and FDA better coordinate their research, that FDA take steps to better inform the public about ongoing research, and that FCC develop a strategy for meeting the need for additional expertise in radio frequency and testing. As a result of these recommendations, FCC and FDA met several times to discuss research measurement uncertainty and updated a joint Web site to reflect these discussions. In addition, FDA published material on its Web site that allows the public to follow the status of ongoing research into potential health effects of mobile phone service, and FCC hired two additional engineers to work on radio frequency exposure and testing issues. These changes should better inform the public and provide it with more reliable information on this important consumer issue. (GAO-01-545)

1.72.A. Improving the Processing of Postal Service Employees' Claims for Workers' Compensation Program Benefits: In 2002, we recommended that the Postmaster General monitor and take appropriate actions to improve the preparation and processing of employee claims for workers' compensation benefits and ensure that claims submitted to the Office of Workers' Compensation Programs are as complete as possible. Responding to our recommendation, the Postal Service set goals to increase the percentage of claims submitted on time and took specific steps to make sure they were submitted timely and complete. As a result, the Postal Service reported that its on-time submission rate for workers' compensation claims increased by about 11 percent in fiscal year 2003. (GAO-03-158R)

1.73.A. Improving the Distribution of Highway Trust Funds to States: In 2000, we reported on weaknesses in the process the Federal Highway Administration (FHWA) uses to estimate each state's highway motor fuel usage; that estimate is then used in formulas that direct how highway trust funds will be distributed to the states. In response to the report's recommendations, FHWA took several actions including developing a "smart tool" to allow states to electronically report their motor fuel data to FHWA headquarters and hiring a contractor to comprehensively review the attribution methodology. As a result, states are more accurately reporting their fuel data to FHWA, and FHWA has made a number of changes that allow it to more accurately estimate states' use of gasohol. (GAO/RCED/AIMD-00-148)

1.74.A. Improving the Coordination of Transportation Services: In 2003, we reported that 62 federal programs, administered by eight departments, can fund transportation services for the elderly, persons with disabilities, or low-income persons, but several obstacles impede the coordination of these services. In response to our recommendations on addressing these obstacles, federal agencies have expanded their membership in the Coordinating Council on Access and Mobility, thereby bringing 23 additional programs under its umbrella; developed and distributed guidance on coordination to states and localities; and incorporated performance measures for coordinating transportation services into their strategic and annual performance plans. In addition, council members launched a major initiative to improve state and local transportation coordination efforts, and the Congress included coordination provisions in surface transportation reauthorization legislation. (GAO-03-697)

1.75.A. Updating the Consumer Price Index (CPI): In October 1997, we recommended that the Commissioner, Bureau of Labor Statistics (BLS), update the expenditure weights of its market basket of goods and services more frequently to make it timely and more representative of consumer expenditures. In December 1998, BLS announced that it would update expenditure weights every 2 years beginning in 2002, and the CPI for January 2002 reflected the new weights. BLS's adjustments have resulted in (1) lower federal expenditures on programs like Social Security that use the CPI to calculate benefits and (2) increased federal revenues associated with lower growth in personal exemptions on federal income taxes. Last year, we reported financial benefits for this work for fiscal years 2003 through 2006. The financial benefit for fiscal year 2007 in current dollars is estimated as $5.07 billion based on the Congressional Budget Office's projections of the impact of the CPI update. (GAO/GGD/OCE-98-2)

1.76.A. Improving Processes Related to Airport Expansion Projects: Prior to the events of September 11, airport capacity was reaching its limits at many of the nation's busiest airports—producing near-gridlock conditions at some and increasing the demand for airport expansion projects. Our review of the environmental impacts of airport operations and the environmental requirements that airport officials must follow to receive federal funding for such projects found, among other things, that (1) some of these environmental requirements were duplicative and (2) airports were not receiving credit for their voluntary projects to reduce air pollutant emissions. The Congress subsequently enacted the Vision 100-Century of Aviation Authorization Act of 2003 (Pub. L. No. 108-176), which addressed two recommendations based on this work. First, it eliminated the "Governor's Certificate," which had required the chief executive of the state in which the an airport project would be located to certify in writing that the project will be located, designed, constructed, and operated in compliance with applicable air and water quality standards. Second, it called for the Federal Aviation Administration and EPA to work together to provide airports with credits for qualifying projects that targeted reductions in air pollutant emissions, which could be used to offset the emissions from future airport expansion projects. (GAO/RCED-00-153)

1.77.A. Improving the Oversight of State Highway Safety Programs: In 2003, we reported that National Highway Traffic Safety Administration regional offices were inconsistent both in their use of grants oversight practices such as management reviews and in requiring states to take remedial actions through improvement plans. In response to our recommendations that it clarify guidance and standardize these practices, the agency developed new policies for its regional offices on when it is appropriate to use management reviews and improvement plans to assist state highway safety programs. The new guidance requires the regional offices (1) to review each state at least once every 3 years and (2) develop improvement plans when a state fails to meet performance goals, shows substandard performance, or fails to show improvement over a 3-year period. The agency also developed training for regional staff to standardize the implementation of the new policies and guidance. (GAO-03-474)

1.78.A. Addressing Long-standing Problems in the Federal Real Property Area: In our January 2003 high-risk report on federal real property and subsequent testimonies, we raised concern about persistent and long-standing problems in this area. Problems with excess and underutilized real property, deteriorating facilities, unreliable real property data, and costly space challenges are shared by several agencies. Federal agencies also face many challenges securing real property from the threat of terrorism. In response to our high-risk designation and as part of the administration's ongoing effort to promote real property reform, the President added the Federal Asset Management Initiative to the President's Management Agenda and signed Executive Order 13327 on February 4, 2004. Under the order, agencies will designate a senior real property officer to, among other things, identify and categorize owned and leased real property managed by the agency and develop agency asset management plans. Also, a newly established Federal Real Property Council composed of agency senior real property officers will create a set of common measures that agencies will use to mark their progress on real property management. According to Office of Management and Budget (OMB) officials, the Federal Real Property Council has created a series of committees to develop performance measures, a real property inventory database, and

an asset management plan to address the high-risk issues outlined in our report and testimonies. (GAO-03-122, GAO-03-839T, and GAO-04-119T)

1.79.C. Improving the FCC's Data Gathering Efforts: Because of the rapid evolution in the subscription video industry, it is important for accurate, current, and relevant information to be available to the Congress and FCC. In our report on the cable industry, we found numerous problems with FCC's collection and reporting of data on the factors underlying cable rate increases and the competitive status of cable franchises. In response to our work, FCC has modified its survey instrument to be clearer and now conducts additional follow-up work to ensure that its data are accurate and to reflect current conditions. (GAO-04-8)

1.80.C. Promoting the Conversion to Digital Television to Enable the Recapture of Broadcast Spectrum: The transition to digital television is important because the end of the transition will release a substantial amount of radio spectrum from use in broadcasting. Some of this spectrum will be deployed for public-safety first responders, and some will be auctioned for wireless services. The auction is expected to reap a substantial monetary return for the federal government. To help speed the transition, in November 2002, we recommended that FCC examine the possible benefits of setting a specific date when cable operators' legal obligation to carry broadcast signal switches from analog signals to digital signals. FCC has informally proposed a plan that would be designed to promote the transition to digital television. One component of the plan is to transfer the broadcasters' must-carry rights from the analog signal to the digital signal on January 1, 2009. (GAO-03-7, GAO-03-742T, and GAO-04-262T)

1.81.C. Improving Security at the Nation's Ports: In a series of reports and testimonies, beginning after the September 11 terrorist attacks, we identified the challenges the Coast Guard faced in improving port security. We reported that it would be important for the Coast Guard to expeditiously identify the key risks and vulnerabilities on the basis of sound risk management principles and work with port stakeholders to develop strategies and action plans to mitigate these vulnerabilities and risks. Our analysis of the early phases of the Coast Guard's implementation of the Maritime Security Act of 2002 helped the Coast Guard develop its strategy and plan and caused the Coast Guard to modify its port vulnerability assessment program, freeing up $38 million for other port security efforts. Our work also is leading the Coast Guard to make other changes that will improve the its port security program management and controls. (GAO-03-1155T, GAO-04-432, GAO-04-636T, and GAO-04-838)

1.82.C. Ensuring That Steps Taken to Ensure the Security of Commercial Aviation Are Effective: Our evaluations of aviation security enhancements since the terrorist attacks of September 11 have helped DHS focus its limited resources on the areas of greatest need and helped strengthen commercial aviation security in the United States. Our reviews of the training and performance of passenger screeners and of controls to secure restricted airport areas from unauthorized access have led to the strengthening of screener training programs, increased testing of screeners' abilities to detect threat objects, and the establishment of procedures to prevent unauthorized access to secure airport areas. Our work has also helped raise public awareness of the continuing weaknesses in aviation security and enhanced understanding of the numerous steps taken to secure commercial aviation, including the fiscal and operational challenges these steps entail. (GAO-04-232T, GAO-04-285T, GAO-04-385, GAO-04-440T, GAO-04-504T, GAO-04-505T, GAO-04-592T, and GAO-04-728)

1.83.C. Implementing Postal Reforms to Address Structural and Systemic Deficiencies: Since 2001, the U.S. Postal Service has been on our high-risk list because of the risks to its ongoing financial viability. In particular, the Postal Service is at risk of a continuing "death spiral" of decreases in mail volume that lead to increases in postal rates that lead, in turn, to further decreases in mail volume. In a report and three testimonies before the Congress in fiscal year 2004, we pointed out once again the urgent need for fundamental reforms to minimize the risk of a significant taxpayer bailout or dramatic postal rate increases. Congressional members have frequently cited our work as identifying financial, human capital, and operational challenges that need to be addressed to make the case for pending comprehensive postal reform legislation. (GAO-04-108T, GAO-04-397T, GAO-04-455R, and GAO-04-565T)

1.84.C. Promoting Improvements to the Nation's Transportation Security: Since September 11, we have reported on the challenges involved in making our nation's transportation system safer from potential acts of terrorism. This year, we reported on progress and operational and management control issues that emerged during the rapid expansion of the Federal Air Marshal Service. We provided the Congress with two reports and responses to the requester's questions that discussed the significant challenges faced by the Service in the rapid expansion. We made recommendations directed at helping DHS develop the Service into a high-performing organization by taking actions to improve management information and implement key practices that contribute to successful mergers and organizational transformations. We also provided the Congress with several briefings and a report on the Transportation Security Administration's and DHS's research and development of technologies for transportation security. We made recommendations aimed at improving these agencies' management of their R&D programs by conducting some basic research, completing their strategic planning and risk assessment efforts, developing a management information system, and better coordinating with other federal agencies and reaching out to the transportation industry. (GAO-04-16NI, GAO-04-242, and GAO-04-890)

1.85.C. Improving Aviation Safety: Our work in the field of aviation safety resulted in improvement initiatives in several areas. The results of our curriculum and certification requirements study for aviation mechanics led to legislative changes to update and improve those requirements. Similarly, our analysis of how airline pilots' safety information is shared among potential pilot employers was a major contributing factor to revisions of those policies and procedures. We also reported on the potential safety concerns related to operational errors at contract towers. Additionally, we reported in fiscal year 2004 on airliner cabin safety and health issues. In response to the severe acute respiratory syndrome (SARS) epidemic and questions raised over the years by travelers and flight attendants, we reported on how airliner cabin air quality could contribute to health effects, such as upper respiratory infections. Additional work discussed how cabin occupants' chances of surviving a commercial airliner accident could be increased with technological and operational improvements. (GAO-03-117, GAO-03-317, GAO-02-722, GAO-04-33, and GAO-04-54)

1.86.C. Improving Pipeline Safety: In a report and a series of testimonies in fiscal year 2004, we reported on opportunities to increase the effectiveness of the enforcement strategy used by the Office of Pipeline Safety in the Department of Transportation's Research and Special Programs Administration. The office has responded positively to these products and to recommendations and findings in an earlier report. The office is reinvigorating its enforcement system, in part through better partnerships with state pipeline safety agents and through using a wider mix of and stronger enforcement actions. However, as we recently reported, the Office of Pipeline Safety needs to set goals for its enforcement program, fully define its strategy, and establish performance measures linked to goals that would allow an assessment of results. These are key elements of effective management without which the office cannot determine whether recent changes in its strategy are having the desired effects on pipeline safety. (GAO-04-801, GAO-04-826T, GAO-04-875T, and GAO-04-985T)

1.87.C. Improving the Postal Service's Response to Biohazards: In a report and testimony in fiscal year 2004, we addressed the Postal Service's response to biohazards in the mail. We testified on errors in communicating health risk information to employees returning to the Brentwood postal facility in Washington, D.C. Instead of notifying employees of the possibility of residual health risks, employees were informed that the facility was 100 percent free of anthrax contamination. The Postal Service corrected and distributed updated information to its employees in response to our work. Our report focused on the response to anthrax at five postal facilities contaminated in the fall of 2001 and identified several lessons that can be learned from the response, including the need to err on the side of caution when considering actions to protect people from uncertain and potentially life-threatening health risks. We also highlighted the need for improving guidance for responding to a future anthrax crisis. (GAO-04-205T and GAO-04-239)

1.88.C. Controlling Costs in Federal Construction and Management of Real Property: In a series of reports since 2002, we described the challenges of managing the federal government's real property and controlling costs in federal construction. Over 30 agencies control hundreds of thousands of real property assets worldwide, including facilities and land that cost more than $335 billion. In January 2003, we designated federal real property as a high-risk issue because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and costly space. These factors have multibillion-dollar cost implications and can seriously jeopardize mission accomplishment. We continue to report on and monitor the timeliness of and cost controls over major federal construction projects, including courthouses and the Kennedy Center. (GAO-04-119T)

1.89.C. Maintaining the National Airspace System: In fiscal year 2004, we examined the Federal Aviation Administration's efforts to modernize air traffic control equipment and controller workforce issues. We testified twice on the agency's progress and remaining challenges in modernizing its air traffic control equipment. We updated our work on impending retirements in the air traffic controller workforce and the Federal Aviation Administration's progress in hiring and training replacement controllers. The Congress used our work to monitor the Federal Aviation Administration's progress in managing its multibillion dollar efforts to modernize the National Airspace System. (GAO-04-227T, GAO-04-770T, and GAO-04-887T)

Strategic Goal 2

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

Source: See Image Sources.

Respond to Emerging Threats to Security

2.1.A. Improving Plans for Deploying Radiation Detection Equipment: In 2003, we reported on CBP's efforts to deploy radiation detection equipment at U.S. ports of entry to detect smuggled nuclear material. We found that although CBP had developed a partial plan for deploying equipment, its lack of a comprehensive plan covering every port of entry into the United States hindered the ability of CBP to develop schedules and budgets and could result in delays in deploying equipment. In response to our recommendations, CBP issued a comprehensive project execution plan that will help the agency deploy equipment to detect the potential smuggling of dangerous nuclear materials into the United States in the shortest time frame possible. (Based on briefing)

2.2.A. Strengthening Security Awareness in Federal Buildings: In the summer of 2003, we tested security at federally owned and leased buildings. Using a series of investigative methods, we entered some federal buildings in San Francisco, California, and Las Vegas, Nevada, carrying concealed test contraband materials and simulating conditions under which plastic explosives could be introduced into the buildings. During these tests, the security guards did not detain us, and the security procedures and equipment at the buildings did not detect the test contraband materials. As a result of our briefings, the Federal Protective Service issued a policy letter to all its regional directors that transmitted supplemental X-ray and magnetometer screening policies to strengthen procedures related to items carried into federal buildings such as food and containers that could conceal harmful objects. And the U.S. Marshals Service issued a memorandum that described the methods we used to penetrate the buildings. As part of the memorandum, the U.S. Marshals Service asked marshals to share the information with their respective building security committees and directed marshals to develop written guidelines to establish screening policies for food, beverages, and unusual circumstances such as casts, wheelchairs, and medical bags and equipment. (Based on briefing)

2.3.A. Strengthening Federal Agency Information Security: For many years, we identified specific information security improvements needed at selected federal agencies. In 2004, such agencies included the Internal Revenue Service (IRS), USDA, and the Federal Deposit Insurance Corporation. Also, on the basis of our prior recommendations, agencies—including IRS, VA, DOD, the Department of Interior, the Department of Education, the Financial Management Service, and the Federal Deposit Insurance Corporation—took numerous actions to strengthen their information security practices. Actions included improvements to agencies' security management programs to aid in understanding risks and selecting and properly implementing effective controls; access controls to limit to only authorized individuals the ability to read, alter, or delete data; software change controls to allow only authorized software programs to operate; and service continuity controls to protect computer-dependent operations from significant disruptions. (GAO-04-126, GAO-04-154, and GAO-04-522T)

2.4.C. Overseeing Weapons Programs: In May 2004, we reported that DOD did not know how many Stinger missiles it had sold overseas and that its annual inventory process had significant defi-

ciencies. As a result of our work, DOD has begun to (1) establish standard requirements for keeping Stinger missile records, (2) create an electronic database to consolidate all DOD records for Stinger missiles sold overseas and track the worldwide Stinger inventory, and (3) develop standardized procedures for conducting Stinger inventories. Also, we found that several multilateral forums had introduced measures to limit the international proliferation of man-portable air defense systems. However, these forums lacked mechanisms to monitor whether member states were actually implementing their commitments. The Department of State, which represents the United States in these forums, concurred with our recommendation and has begun working with other governments to establish mechanisms to assess foreign compliance with commitments to limit proliferation of man-portable air defense systems. (GAO-04-519)

2.5.C. Baselining DHS's Progress in Implementing Our Recommendations: We identified the status of key recommendations that we had made between March 1, 1997, and March 1, 2003, to DHS and its legacy agencies. This work established a baseline that the Congress and others can use in assessing DHS's progress and effectiveness in improving homeland security. We reported that as of June 28, 2004, DHS had implemented 40 of 104 recommendations that we consider to be key to DHS's ability to effectively fulfill its homeland security mission and is working to address another 63 key recommendations. This review also resulted in our and DHS's teams focusing additional attention on implementing various recommendations resulting in positive results toward improve mission effectiveness. For example, actions DHS's Science and Technology Directorate took to implement nine key recommendations reduced unauthorized access to pathogens and strengthened security over the facility that houses these pathogens. (GAO-04-865R)

2.6.C. Demonstrating How Counterfeit Identification Can Easily Be Used to Exploit Security Vulnerabilities: We testified to the Congress in October 2003 about problems we identified in our efforts to test the effectiveness of various security measures throughout the United States. We performed a series of tests over a 3-year period, which showed that security measures could often be exploited through the use of counterfeit identification documents such as driver's licenses, birth certificates, and Social Security cards. Using inexpensive computer software and hardware readily available to any purchaser, we created fictitious identities and documents that allowed them to easily (1) enter the United States from such Western Hemisphere countries as Jamaica, Barbados, Mexico, and Canada; (2) purchase firearms from licensed dealers in some states such as Virginia and Montana; (3) gain access to federal buildings and other facilities; and (4) obtain Social Security numbers for fictitious names and use these numbers to obtain authentic but fraudulent driver's licenses. The results of our work demonstrated that (1) government officials and others generally did not recognize that the documents we presented were counterfeit; (2) many government officials were not alert to the possibility of identify fraud and some failed to follow security procedures; and (3) identity verification procedures are oftentimes inadequate. (GAO-04-133T)

2.7.C. Ensuring a Sound Approach to Securing Electronic Government Transactions: Under OMB's direction, the General Services Administration made plans to build a central computer system, called the E-Authentication Gateway, to ensure the identity of individuals attempting to conduct sensitive transactions—such as transactions involving financial or personal information—with government agencies. We found that the General Services Administration's plan for a centralized gateway was unlikely to be feasible, especially the goal of making the system operational by March 2004. In response to our report, OMB and the General Services Administration decided to cancel their plans to develop a centralized gateway and refocused the initiative on setting a framework of policies and standards for agencies to use in procuring commercial products to meet their authentication needs. (GAO-03-952 and GAO-04-561T)

2.8.C. Enhancing Government and Private Sector Critical Infrastructure Protection Efforts: Critical infrastructure protection activities are intended to enhance the security of the public and private infrastructures that are essential to our national security, economic security, and public health and safety. Examples of critical infrastructures include power distribution, telecommunications, water supply, and national defense. Over the last several years, we assessed the progress of federal agencies and nonfederal infrastructure sectors

in implementing the activities required and suggested by federal critical infrastructure protection policy. In July 2004, we reported on the status of sector-based, voluntary information sharing and analysis centers and discussed challenges in their efforts to help protect our nation's critical infrastructures. Also, we identified the need for DHS to develop appropriate plans, policies, and procedures to improve its ability to carry out its information-sharing responsibilities and relationships. In March 2004, we reported on the cybersecurity of the computerized control systems that perform vital functions across many of our nation's critical infrastructures. These functions include electric power generation, transmission, and distribution; oil and gas refining and pipelines; and water treatment and distribution. We identified significant cybersecurity risks associated with control systems, including the adoption of standardized technologies with known vulnerabilities and the increased connectivity of control systems to other information systems. We also identified significant challenges to securing control systems, including the limitations of current security technologies and the perception that securing control systems may not be economically justifiable. In addition, we identified the need for DHS to implement a strategy for coordinating with the private sector and other government agencies to improve control system security. Further, in May 2004, we reported on the many cybersecurity technologies that could be used to protect critical infrastructures from cyberattack. These technologies—including access control technologies, cryptography, and audit and monitoring tools—can help to protect information that is being processed, stored, and transmitted in the networked computer systems that are prevalent in critical infrastructures. (GAO-04-321, GAO-04-354, and GAO-04-780)

2.9.C. Improving Governmentwide Management of Federal Information Security: Since 1997, we have designated information security as a governmentwide high-risk issue with potentially devastating consequences. In March 2004, we noted opportunities for OMB to improve the usefulness of the annual security performance data reported by the agencies. Also, in March 2004, we identified commercially available, state-of-the–practice cybersecurity technologies that federal agencies could use to defend their systems against cyberattack. In June 2004, we reported the need for OMB to require agencies to assess the quality of their security certifications and accreditations, a key process in assessing information security risks, to ensure that decisions are based on consistent consideration of key criteria outlined in federal guidance. Additionally, in June 2004, we reported on several areas related to a critical process referred to as patch management. The patch management process includes acquiring, testing, applying, and monitoring software patches in order to alleviate security vulnerabilities that are introduced by flaws in software code. We identified patch management tools and services that are available to federal agencies, challenges to performing effective patch management, and additional steps that can be taken to mitigate the risks created by software vulnerabilities. Also, we identified the need for OMB to issue guidance to agencies to provide more refined information on patch management practices, and determine the feasibility of providing selected centralized patch management services. (GAO-04-376, GAO-04-467, GAO-04-483T, and GAO-04-706)

2.10.C. Influencing National Preparedness Standards for Homeland Security: In a briefing to the 9/11 Commission, we provided analyses and insights on the need for and content of a national preparedness standard for emergency management and business continuity. We identified an existing standard to serve as the foundation for the national preparedness standard and produced a "gap analysis" for revisions addressing homeland security needs; those revisions will be incorporated into the standard. The panel recommended the standard to the 9/11 Commission for all organizations regardless of industry, size, or location. Secretary Ridge has endorsed the standard for national adoption. (Based on a formal statement to the panel)

2.11.C. Improving U.S. Assistance to the Former Soviet Union: Over the past 10 years we have assessed the U.S. government's programs to help Russia and the other former Soviet states secure weapons of mass destruction, including hundreds of tons of nuclear material; employ their weapons scientists; and secure their borders from nuclear smuggling. Our recommendations to improve the management of these programs have been used by the Congress to legislate, redirect, and streamline the delivery of this assistance. (GAO-01-148, GAO-01-312, GAO-01-429, GAO-01-582, GAO-

01-694, GAO-01-726T, GAO-02-426, GAO-03-482, GAO-03-483, GAO-03-526T, GAO-03-638, GAO-04-662, GAO-04-807, GAO-04-924, and GAO-04-930R)

2.12.C. Enhancing Domestic Security with Better Data on Illegal Aliens: Weaknesses we identified in DHS's system for keeping track of foreign visitors—and persons who overstay their terms of admission to the United States—enable millions to reside here illegally and may hamper the monitoring of potentially suspicious aliens. Our reporting that 6 of the 19 hijackers on September 11 were current or prior overstays showed the implications these long-standing weaknesses can have for domestic security. We also reported that thousands of illegal aliens have used fraudulent documents to obtain airport employment and other jobs with access to secure areas and critical infrastructure locations. We reported how a new homeland security program to collect, maintain, and share information on foreign nationals, might be strengthened—before it is fully phased in—by evaluating the kinds of weaknesses limiting the tracking system. The Transportation Security Agency, consistent with our findings on airport employment, has increased the physical screening of employees who enter secure areas of airports. (GAO-04-82)

Ensure Military Capabilities and Readiness

2.13.A. Contributing to Properly Funding the Military's Needs: We reviewed the reasonableness of DOD's fiscal year 2004 budget request, its use of budgeted funds in prior years, its future resource needs, and the status of its war on terrorism expenditures. In September 2003, we identified billions of dollars in potential costs avoided and opportunities for DOD to improve its internal oversight of the use and tracking of funds and to provide greater transparency over projected resource needs. Specifically, we reported that some of the military services might not spend all the funds provided in fiscal year 2003 for the war in Iraq and that some funds being requested for fiscal year 2004 were no longer needed because the operations they funded had ended in March 2003. This allowed the Congress to rescind some of the previously authorized funds that remained available. In addition, the Congress reduced DOD's budget request for fiscal year 2004 because some of the requested funds were for operations that ended prior to that fiscal year. Our work also prompted DOD to reevaluate certain funding requirements, adjust financial records, and take other actions to reduce its unobligated balances. Our work contributed to actions that resulted in financial benefits of about $5.2 billion dollars, of which $3.49 billion was rescinded from the Iraqi Freedom Fund, $1.35 billion was eliminated from funds related to Southwest Asia, and $0.355 billion was related to the actions taken by DOD. (GAO-03-1088)

2.14.A. Improving DOD's Antiterrorism Efforts: Since the October 2000 attack on the Navy destroyer USS *Cole* in the port of Aden, Yemen, which cost the lives of 17 crew members and significantly damaged the vessel, other incidents have further illustrated the continuing danger of unconventional threats from determined terrorists to our military forces. Following the attack on the USS *Cole*, we initiated a series of reviews that examined DOD's antiterrorism efforts to protect military forces at domestic installations, and as forces deploy through ports in the United States and in the European, Southern, and Pacific Commands. These reviews, which examined the department's overall antiterrorism approach, the management tools in place to guide a commander's efforts to protect military forces, and the specific security measures being used, highlighted several opportunities for the department to strengthen its antiterrorism efforts. Working in a collaborative manner with the department, we made a number of specific recommendations to address these issues, and DOD generally agreed with our findings and recommended corrective actions. In 2004, the department began implementing many of our recommendations, which in turn have had a direct impact on department operations. For example, the department established the Navy as the executive agent responsible for protecting military sealift assets, including military cargo shipped using chartered vessels, where previously this responsibility was unclear and undefined. The department also revised its antiterrorism policies and implementing guidance, incorporating several of our recommendations related to improving the mechanisms to identify critical assets, assess threats, and improve overall antiterrorism planning. Also, in response to a recommendation we made in September 2001, the department finalized its first antiterrorism strategic

plan, which clarifies the department's antiterrorism goals, highlights related performance goals, and sets specific measures to assess the results of improvement efforts. Most recently, the department has agreed to implement our recommendations to designate a single authority to integrate worldwide installation preparedness improvement efforts, clearly define the roles and responsibilities of key organizations, fully incorporate results-oriented management principles in its strategy to improve installation preparedness, and better coordinate DOD installation preparedness improvements with the local civilian communities. (GAO-01-909, GAO-02-955TNI, GAO-03-731NI, GAO-03-15, GAO-03-14, GAO-04-80NI, GAO-04-851NI, and GAO-04-855)

2.15.A. Improving the Tracking of In-Transit Munitions Shipments: Over the last few years, we have issued a series of reports identifying gaps in tracking in-transit munitions shipments. The loss of visibility that occurs in transit leaves those shipments vulnerable to compromise by forces hostile to the United States. DOD initially took steps to revise and strengthen requirements in its regulation for in-transit visibility, but we found that visibility did not improve because shippers, receivers, and commercial carriers within the United States did not comply with the revised requirements. In addition, we assessed the adequacy of in-transit visibility of munitions shipments moving within the Republic of Korea and the U.S. European Command and found that deficiencies in policies and procedures and a lack of compliance with requirements has also resulted in gaps in visibility. As a result of our recommendations, DOD has initiated corrective actions and revised operating procedures both within the United States and in the Republic of Korea that should provide the level of in-transit visibility required for munitions shipments and decrease their vulnerability to compromise. (Based on a briefing)

2.16.A. Influencing Budget Reduction in the Transformational Communications Satellite Program: The Air Force planned to initiate development of the new Transformational Communications Satellite before maturing technologies and stabilizing the design—a high-risk acquisition approach—and accelerate annual funding needs to over $1 billion. We reported this finding to the Congress in our annual assessment of major weapons programs and in other written products. On the basis of this work, the Congress reduced the program's funding by $300 million for fiscal year 2005 to better ensure the technologies and design were sufficiently matured before development of the satellite began. (GAO-04-71R)

2.17.A. Improving Outcomes of DHS's Efforts to Counter Man-Portable Air Defense Systems: In late 2002, terrorists fired surface-to-air missiles at an Israeli airliner departing from Mombasa, Kenya. To reduce this threat, DHS initiated a 2-year system development and demonstration program for a counter-man-portable air defense system. During the course of our review of this effort, we determined that while DHS's program plan incorporated many aspects of a knowledge-based acquisition approach—an approach that has been proven to optimize the chance of successful outcomes—the plan did not incorporate others, including criteria needed to ensure that decisions are based on sufficient information and to monitor contractor progress. As a result of this finding and recommendations that we made in January 2004, DHS revised its solicitation to provide such criteria. (GAO-04-341R)

2.18.A. Restructuring the Funding for DOD's Osprey V-22 Aircraft Program: In a briefing to a blue-ribbon panel that was established to investigate the V-22 aircraft after the second fatal crash of a V-22 aircraft in calendar year 2000, we highlighted numerous concerns with the aircraft that had not previously been made public. Specifically, we told the panel that numerous risks and unknowns existed in the program because of inadequate testing and evaluation and highlighted concerns raised in the Navy Judge Advocate General's investigation of the April 2000 fatal crash—concerns that had not been publicly revealed because they had been omitted from the Judge Advocate General's investigation report. After completing its work, the blue-ribbon panel recommended that production of the aircraft be temporarily reduced to a minimum sustaining level to provide funds for a development maturity phase. In the fiscal year 2001 defense appropriations bill, the Congress stated that the overall production rate should be no more than 11 aircraft per year until the program completed its program restructure and returned to flight status. Prior to this decision, plans called for procuring 37 V-22 aircraft in fiscal year 2003 and an additional 37 V-22s in fiscal year 2004. The present value of the reduced procurement funding that accompanied

this decision—less the increase in funding for the program to resume development testing—totaled about $1.6 billion. (GAO-01-369R)

2.19.C. Estimating Exposure of U.S. Troops to Chemical Warfare Agents During the Gulf War: Congressional questions about undiagnosed illnesses of Gulf War veterans led to our assessing the basis of DOD's conclusions about the extent of exposure of U.S. troops to chemical warfare agents during the Gulf War. We found that DOD's conclusions about troops' exposure to chemical warfare agents—which were based on models prepared by DOD and the Central Intelligence Agency of the plumes that resulted from the use of chemical agents—could not be adequately supported. Given the weaknesses with the specific models and the uncertainties in some of the data used in the models, we concluded that DOD could not know which troops had or had not been exposed. We recommended that DOD and VA not use the plume-modeling data for future epidemiological studies of the 1991 Gulf War. VA concurred with this recommendation. We also recommended that DOD require no additional plume modeling of 1991 Gulf War sites bombed or demolished by Coalition forces. DOD concurred with this recommendation. In addition, the House of Lords in the British Parliament had used our report as justification to establish a commission to examine the causes of Gulf War illnesses of British troops. (GAO-04-159 and GAO-04-821T)

2.20.C. Improving Security at DOE's Nuclear Weapons Facilities: Over the last 2 years, we evaluated DOE's post-September 11 efforts to improve security at the nation's nuclear weapons facilities. A key component of an effective security program is the design basis threat, a classified document that identifies the potential size and capabilities of the terrorist forces that DOE facilities must successfully defend against. We reported that the threat contained in DOE's May 2003 design basis threat was, in most cases, less than the terrorist threat identified in the intelligence community's postulated threat—on which the design basis threat traditionally had been based. In response, the Secretary of Energy ordered a full reexamination of the May 2003 design basis threat and the process used to develop the design basis threat. (GAO-04-623, GAO-04-701T)

2.21.C. Providing Housing for Unmarried Service Members and Military Families: DOD spends billions of dollars annually to provide housing for military members and their families either by paying cash allowances for members to live in private sector housing or by assigning members to military-owned or -leased quarters. Recognizing that housing is a major component of the military's compensation package and a key factor affecting quality of life, DOD has placed priority on improving both its family housing program and its program for unmarried members, who often are required to live in military barracks. For example, over the past several years, DOD has significantly increased housing allowances to make private sector housing more affordable and has improved the condition of military-owned family housing and barracks through increased construction spending and, in the case of family housing, through privatization, which allows private sector financing, ownership, operation, and maintenance of military housing. Since 2000, we issued several reports on DOD's housing programs. These reports have discussed opportunities for DOD to reduce barracks costs, improve the processes used to determine housing requirements and allowance rates, and enhance the implementation of privatization. In response to these reports, DOD and the services have taken several steps to reduce costs and improve housing program management. For example, as recommended in one of our reports, the Air Force decided to allow more junior enlisted personnel to live off base, which decreased planned future barracks construction costs by $234 million. Also, in response to another report, which showed that DOD often underestimated the ability of local communities to meet family housing needs and thus overestimated the need for more costly military-owned or privatized housing, DOD revised its housing requirements determination process. Further, as we recommended, DOD took steps to improve program oversight and enhance provisions in privatization contracts designed to protect the government's interests. (GAO/NSIAD-00-71, GAO-01-889, GAO-02-624, GAO-03-257R, GAO-03-602, and GAO-04-556)

2.22.C. Improving the Processing of Personnel Security Clearances: Terrorist attacks have heightened national security concerns and underscored the need for a timely, high-quality personnel security clearance process. However, in reports issued during 2004, we identified long-standing

backlogs, delays, and other problems associated with DOD's security clearance process that could result in millions of dollars of additional costs to the government and heighten the risk of national security breaches. To resolve these problems, we recommended matching investigative and adjudicative workforces to workloads, developing tools and metrics to forecast and monitor clearance needs, gaining better access to investigative information, determining the feasibility of implementing initiatives that could decrease the backlog, and providing better oversight for all aspects of the process. DOD generally agreed with our findings and has begun implementing our recommendations. (GAO-04-344, GAO-04-632, and GAO-04-202T)

2.23.C. Assisting Congressional Decision Making on the Military's Aging Fleet of Aerial Refueling Aircraft: Our body of work on whether to continue to operate or to replace DOD's nearly half-century-old fleet of KC-135 aerial refueling aircraft prompted DOD to reevaluate its needs and we informed congressional decision makers on how to proceed with replacement of the aging aircraft. In 2004, we reported that DOD did not know how many aerial refueling aircraft are needed because its requirements assessment was based on the outdated two major theater war strategy rather than on current national security strategy. DOD concurred and is currently studying aerial refueling aircraft requirements as part of its Mobility Capabilities Study. Our report on DOD's analysis of alternatives, in which the Congress required DOD to identify options for acquiring new aircraft, highlighted the fact that the methodology employed by DOD did not include all of the potential alternatives for these acquisitions and in fact excluded the potential for contractor-provided refueling support. DOD concurred with our recommendation to expand the scope of its study to include the potential for contractor-provided refueling support and is now studying that option. (GAO-03-923T, GAO-03-1143T, GAO-03-1048T, GAO-03-938T, GAO-04-349, GAO-04-169R, and GAO-04-164R)

2.24.C. Reassessing Program Strategy, Funding Priorities, and Risks for Selected Military Equipment: Congressional concern over aging military equipment and reports by DOD that the condition of major equipment items was rapidly deteriorating led to our review of the condition, program strategy, and funding priorities for selected equipment items. In our report, we identified weaknesses and inconsistencies in DOD's program strategies and funding priorities for specific equipment items in relation to the condition of those items. As a result, we recommended that the Secretary of Defense, in conjunction with the military services, reassess the program strategies for equipment modernization and recapitalization, and reconcile those strategies with the services' funding requests to ensure that key legacy equipment systems are sustained until replacement systems can be fielded. Acting on our work, the Congress included a requirement in the National Defense Authorization Act for Fiscal Year 2005 that whenever a new major defense acquisition program begins development, the defense acquisition authority responsible for that program develop a plan for sustaining and modernizing the existing system that the system under development is intended to replace to ensure that the existing system is adequately sustained and funded until the replacement system is fielded and assumes responsibility for the mission. (GAO-04-112)

2.25.C. Promoting Greater Efficiencies in Development, Fielding, and Use of Unmanned Aerial Vehicles in DOD: Our body of work on the development, fielding, and usage of unmanned aerial vehicles (UAV) has offered DOD strategies and approaches to more efficiently use resources as these new technologies play increasingly important roles in military operations. UAVs were used in Afghanistan and Iraq in 2002 and 2003 to observe, track, target, and strike enemy forces. Our prior work on UAV systems found programs that suffered from requirements growth, risky acquisition strategies, and uncertain funding support within the individual services. Consequently, some of these programs were terminated. To address these problems, we made recommendations intended to promote strong leadership in UAV development. In 2004, we reported that DOD had made progress in addressing our previous concerns, but that DOD's approach to developing and fielding UAVs still did not provide reasonable assurance that its investment in the technology would facilitate efficient integration into the force structure. Consequently, to further enhance management control over the UAV program, we recommended that DOD establish a strategic plan for developing and fielding UAVs and

designate an appropriate departmental organization to oversee the plan's implementation. (GAO-04-342 and GAO-04-530T)

2.26.C. Highlighting Challenges Associated with Unprecedented Use of the Reserve Component since September 11: In a 2001 series of reports and a testimony on DOD's use of the reserve component, we identified numerous inefficiencies in DOD's process for readying and mobilizing the reserve component for domestic and overseas missions associated with the global war on terror. Our August 2003 report noted that some threats are impossible to predict, but until DOD identifies all of the mobilization requirements that have evolved since September 11—and creates or updates its operation plans as necessary to account for these requirements—it risks the continued need for additional management oversight and layers of coordination between officials to fill mobilization requirements, thus slowing the mobilization effort and making it less efficient. We also noted actions needed to address visibility over the process, predictability for mobilizing Army units, and access to the Individual Ready Reserve population. We made several recommendations to DOD focusing on enhancing the mobilization process. DOD has taken action and noted that our report is invaluable to its mobilization reengineering efforts. In April 2004, we testified that the heavy use of National Guard forces, particularly the Army National Guard, has led to declining readiness of nondeployed units because of long-standing equipment and personnel shortages. We concluded that ongoing initiatives to restructure the Army National Guard to perform overseas and homeland security missions face a number of implementation challenges and suggested that a comprehensive reassessment of the Army Guard's structure and funding requirements is needed. (GAO-03-921, GAO-04-670T, and GAO-04-1031)

2.27.C. Contributing to Congressional Decisions on National Guard and Reserve Component Personnel Compensation: In September 2004, we issued the third and last report in a series responding to House Report 107-436 accompanying the National Defense Authorization Act of 2003, which directed us to review compensation programs for reserve personnel. We also testified three times before the Congress on reserve compensation issues. Our reviews addressed the fair treatment of reservists in light of the increased reliance upon reserve personnel to carry out DOD's military operations domestically and abroad. Our work provided key information on such issues as providing health care to members and their families when members are not on active duty, lowering the age for retirement eligibility, compensating reservists for income loss during mobilizations, enhancing family support programs, and expanding special pay rates. Our work enabled congressional decision makers to make informed decisions on complex and costly proposals. For example, we reported that estimated costs to expand the military's health care system to reservists and their families when the member is not on active duty would be over $5 billion dollars. As a result of our work, DOD agreed to study the need to expand this benefit and the Congress scaled back its health care benefit proposal and passed legislation authorizing health coverage for 1 year for certain populations of the reserve force when not mobilized. (GAO-04-1005, GAO-03-1004, GAO-03-554, GAO-03-549T, and GAO-03-573T)

2.28.C. Contributing to Improved Warfighter Support for Operation Iraqi Freedom: Our work on warfighter support for Operation Iraqi Freedom helped focus the attention of the Congress and DOD to more fully understand the breadth and depth of long-standing problems in DOD's logistics system. In December 2003, we reported our preliminary findings on the operation, indicating that Army and Marine Corps units were short of spare parts and other supplies because of (1) a lack of adequate accountability or visibility of the contents of hundreds of pallets and containers shipped to and held up at various distribution points around the world, (2) insufficient and ineffective distribution capability to transport supplies to units within the operation's theater of operations, (3) a $1.2 billion discrepancy between material shipped to the Army units in the theater and material acknowledged as received, (4) a potential cost to DOD of millions of dollars for late fees (or the replacement) of leased and DOD-owned containers, (5) decreased readiness and cannibalization of vehicles and equipment, and (6) Army prepositioned equipment that was not configured appropriately for a contingency like Operation Iraqi Freedom. Subsequently, in March 2004, the Congress asked us to submit a written statement for the record on the performance, current status, and future plans to

improve the Army's and the Marine Corps's equipment prepostioning programs. The Congress, also in March 2004, used our report as the basis for a hearing on logistics lessons and logistics transformation related to Operation Iraqi Freedom. We also reported in April 2004 that mail delivery to troops in Iraq was hampered by similar long-standing postal problems experienced during contingency operations such as the lack of trained personnel and transportation assets to move mail. As a result of our work, several DOD components, including the Army and the Marine Corps, have taken a number of actions that address these and other logistics problems. If successfully implemented, these actions should improve the management of warfighter support for Operation Iraqi Freedom and other contingency operations. We are currently continuing work in this area. (GAO-04-305R and GAO-04-562T)

2.29.C. Maintaining Congressional Focus on Risks Associated with the F/A-22 Program: In our continuing review of the Air Force's $72 billion F/A-22 program, we reported and testified in March 2004 that despite the significant changes in requirements, cost, and schedule that have occurred since the program began development in 1986, DOD does not have a business case that reflects current program conditions. For example, DOD does not define the need for the F/A-22 under current and projected threats or the need for investments in new air-to-ground capabilities, nor does it address the number of aircraft required to accomplish the Air Force's missions and the number it can afford. As a result of our recommendation that the Secretary of Defense complete a new business case analysis, the Congress included in its final report for DOD's fiscal year 2005 budget a requirement for a new comprehensive F/A-22 independent cost estimate, to be submitted by March 1, 2005. (GAO-04-391 and GAO-04-597T)

2.30.C. Improving the Missile Defense Agency's Acquisition Strategy: Since the mid-1980s, DOD has invested tens of billions of dollars to develop ballistic missile defense capabilities; in 2002, the program underwent a significant transformation to address ongoing challenges. However, in April 2004, we reported that the program's aggressive schedule, optimistic cost estimates, and inadequate testing have continued to put several program elements at risk of costing more, taking longer to deliver, and failing to fully meet performance goals. As we recommended, the agency is taking steps to establish more realistic cost and schedule estimates and to improve testing of the integrated system. Our ongoing work has also influenced specific program elements. For example, in February 2004, the Air Force announced its plans to delay the purchase of a second aircraft for its Airborne Laser program and focus on demonstrating the maturity of the system's technologies—an approach we identified as a means to improve program outcomes. (GAO-04-643R and GAO-04-409)

2.31.C. Maintaining Congressional Focus on Risks Associated with the Future Combat Systems: The Army's Future Combat Systems—a networked suite of lighter and more agile weapons and other systems—is, in the Army's words, the "greatest technology and integration challenge the Army has ever undertaken." We found that the program is at significant risk of not delivering required capability within cost and schedule estimates. For example, to meet a demanding schedule, the Army has launched the program with less than 25 percent of critical technologies sufficiently matured—an action that leading companies have learned ultimately requires more resources, a reduction in requirements, or both. On the basis of our findings, which we testified on in April 2004, the House Armed Services Committee included language in its version of the Fiscal Year 2005 Defense Authorization Bill that, among other things, restricts funding for the Future Combat Systems until improvements are made in its acquisition strategy. The Army recently decided to slow the pace of the program to lower risk. (GAO-04-635T)

2.32.C. Influencing Systemic Reform in DOD Space System Acquisitions: DOD spends nearly $18 billion annually to develop, acquire, and operate satellites and other space-related systems that provide intelligence, surveillance, reconnaissance, and other data critical to the warfighter and national security. These systems have been plagued with problems that have driven up program costs by billions of dollars, delayed schedules, and increased technical risk. In some cases, capabilities have not been delivered to the warfighter after decades of development. Our reports over the past 2 years, which have recommended reforms based on our best practices reviews, have prompted the Congress to make funding decisions that have helped pro-

grams gain the knowledge they need before making significant investment commitments. Further, our report on common acquisition problems and their effects has been cited by experts in the space acquisition and technology development communities as the definitive compendium of challenges facing space programs. Our work has also helped spur and guide reform within DOD, which is now revising its space acquisition policy; developing a strategy for optimizing its investment in space technology development; and piloting ways to deliver space capabilities to the warfighter more quickly. (GAO-03-597, GAO-03-825R, GAO-03-1073, GAO-04-48, GAO-04-71R, GAO-04-253T, GAO-04-379R, and GAO-04-759)

2.33.C. Improving the Transparency and Management of DOD's Software-Intensive Acquisitions: DOD estimates that software constitutes as much as 40 percent of its research, development, test, and evaluation budget and has attributed significant cost and schedule overruns in its software-intensive systems to the delivery of the software. In a March 2004 congressionally mandated review, we reported that three acquisition programs—the F/A-22, the Space-Based Infrared System, and the Comanche—did not follow evolutionary development practices for software and did not collect and analyze meaningful metrics to measure progress, two strategies that leading companies use to ensure the delivery of high-quality products on time and within budget. On the basis of these findings, a Senate report on the fiscal year 2005 National Defense Authorization Act included language requiring DOD to include in its quarterly acquisition reports to the Congress information on any significant changes in the cost, schedule, or performance of the software components of each major defense acquisition program. (GAO-04-393)

Advance and Protect U.S. International Interests

2.34.A. Improving Oversight of Charities to Deter Terrorist Financing: We found that IRS had not taken advantage of existing law to enable greater information sharing with states concerning the oversight of charities, which could lead to the possible disruption of terrorist financing. Terrorist abuse of charities highlighted the increased need for such information sharing. To improve the oversight of charities, we recommended that IRS work with the states to establish interim IRS procedures and state guidelines to regularly share data as allowed by law. We also recommended that these actions include setting milestones and assigning resources for developing and implementing these procedures and guidelines. In response, IRS expedited its efforts and issued IRS procedures and state guidance a year earlier than planned. (GAO-04-163)

2.35.A. Improving Efforts to Recruit Officers with Hard Language Skills: In November 2003, we recommended that the Secretary of State collect and maintain data on the effectiveness of the Department of State's (State) efforts to address language gaps. We stated that the data should be used to report on State's efforts to recruit more junior officers with hard language skills. We noted that State's system did not provide more credit to candidates with skills in hard-to-learn languages as compared with those with skills in other foreign languages. Partially in response to our work, State reported that it had implemented a new hiring policy to provide additional credit to speakers of critical needs languages. (GAO-04-139)

2.36.A. Focusing the Broadcasting Board on Key Audiences: Over a 3-year period, we recommended that the Broadcasting Board of Governors—the independent entity responsible for all U.S. government and government-sponsored, nonmilitary, international broadcasting—revise its 5-year strategic plan. In response, the board revised its performance management and reporting system and standardized its program review processes by (1) instituting performance plans with audience targets and (2) requiring that program reviews produce action plans keyed to audience size targets. These changes have helped ensure that the key components of the board's strategic planning and performance management system are focused on the board's strategic objective of reaching large audiences in areas of key strategic interest to the United States, such as the Middle East. (GAO/NSIAD-00-222 and GAO-03-772)

2.37.A. Strengthening the Tools to Fight Terrorism: Our work has spurred several federal agencies to improve the design and application of their tools for fighting terrorism. For example, in

2004, our recommendations for tightening U.S. visa processes—the nation's first line of homeland defense—led the Department of State to take steps to strengthen the Visas Mantis process, under which applicants for entry visas undergo a security check to prevent the transfer of sensitive technologies. Specifically, State said it had prepared a plan to improve the process, had created a new system for fully electronic communication of data, was working with other agencies to improve the system, was clarifying its guidance, and had begun providing feedback to overseas posts. Further, State is working with DHS to strengthen the process for revoking visas. In addition, we highlighted concerns about terrorists' use of alternative financing mechanisms (such as charities, bulk cash, informal banking, and commodities), as well as some of the challenges facing the United States in addressing this threat. As a result of our recommendations, the Federal Bureau of Investigation is taking steps to systematically collect and better analyze data on these alternative financing mechanisms, and IRS has sped up its efforts to develop and implement procedures for sharing information with the states. (GAO-04-371 and GAO-04-708R)

2.38.A. Improving Visa Processing at the Toronto Consulate: Although most U.S. consular officials working at U.S. posts in Canada told us that they had enough time to screen visa applicants carefully for possible security risks, some officers expressed concerns about their ability to remain vigilant, given workload constraints. After we relayed this information to the Department of State, it sent an assistance team to alleviate workload constraints at the Toronto consulate, which was experiencing the most severe problems. (GAO-04-708R)

2.39.A. Reforming United Nations Operations: Our products on efforts to reform the United Nations included recommendations that the Secretary of State report annually to the Congress on reform efforts and work with other member states to ensure that the United Nations adopts results-based budgeting and develops a strategy for monitoring and evaluating the impact of its activities. In response to our recommendations, State has reported annually to the Congress on United Nations reform as part of oversight hearings. Also, the United Nations adopted a results-based budgeting approach, developed a strategy to systematically monitor and evaluate the results of its programs, and began implementing the strategy in 2002. (GAO/NSIAD-00-150)

2.40.A. Improving Budgeting at the Organization for the Prohibition of Chemical Weapons: In 2002, we recommended that the Secretary of State work with representatives of other member states and the Director-General of the Organization for the Prohibition of Chemical Weapons to develop a comprehensive plan to improve the organization's budgetary practices. In response, the Organization for the Prohibition of Chemical Weapons has improved its ability to better estimate its workload, expenditures, income, and cash flow and implemented results-based budgeting, which should increase the organization's effectiveness and accountability. (GAO-03-5)

2.41.A. Improving the Visa Revocation Process: State and DHS have taken steps to overcome weaknesses that we identified in the visa revocation process. Specifically, State developed a master list of visas revoked since September 11, 2001; established easy access to the list by other agencies that need access; and issued explicit guidance regarding time frames for the process. DHS now enters visa revocation cases into a lead-tracking database to monitor the status of cases and has established time frames for researching, assigning, and investigating cases. State and DHS also have taken steps to reconcile their records and share more information. In addition, the Terrorist Screening Center (an interagency group) developed a process for coordinating the sharing of information on visa revocation cases. State is coordinating the operating procedures of all the involved agencies and documenting them in a consolidated flowchart that is designed to ensure that the agencies have a written account of what the other players are doing in the process. (GAO-04-795 and GAO-03-798)

2.42.A. Selling Overseas Excess Property: In 1996, we reported that the Department of State did not have an effective process for identifying and selling unneeded overseas real estate. On the basis of our recommendation, an independent advisory panel was established to help State decide which properties to sell. In 2002, we reported that State continued to own a large number of unneeded properties, had inaccuracies in its inventory database that prevented the some properties from being

identified as unneeded, and had failed to sell several of the properties recommended by the advisory panel. In response to our work, State has sold excess property in South Korea that generated payments in fiscal years 2002 and 2003 totaling about $59.7 million. State subsequently sold 31 properties and 21 posts for $21 million in fiscal year 2003 and fiscal year 2004. (GAO-02-590)

2.43.A. Focusing on Management Weaknesses in the Global Food for Education Initiative: In July 2000, the U.S. government announced a new, $300 million school nutrition pilot program—called the Global Food for Education Initiative—to improve student enrollment, attendance, and performance in poor countries. Through congressional briefings and a report, we detailed significant program management weaknesses. The Congress considered our information as part of its deliberations on the appropriateness of increasing program funding from the original $300 million. The Congress ultimately decided to cut funding for this program by $50 million for fiscal year 2003. (GAO-02-328)

2.44.A. Reducing the Impact of Micronesian Migration: In response to our work, funding agreements now target future health and education funds provided to the Federated States of Micronesia and the Republic of the Marshall Islands in ways that address migration problems from these countries. For example, the amended agreements state that health grants shall prioritize establishing sustainable funding mechanisms for operating a system that emphasizes prevention, primary care, mental health, and hospitals to reduce reliance on medical referrals abroad. (GAO-02-40)

2.45.A. Improving the Management of the U.S. Overseas Presence: Language in the House report on fiscal year 2005 appropriations was based on our work on rightsizing U.S. overseas presence. In 2002, we developed a framework for determining appropriate staffing levels that could be used by U.S. agencies and that included considering the physical security risks, mission priorities and requirements, and costs of operations before placing staff at overseas posts. In 2003, we recommended that OMB and the Department of State use such a framework to assess staffing levels worldwide. In a separate report, we found that the U.S. government lacked a systematic process to develop accurate and reliable staffing projections for new embassy compounds. The Congress drew from our work in directing the Department of State to establish an office to lead its ongoing efforts to "put the right people in the right places at the right times" overseas. State established this office in January 2004. (GAO-02-780, GAO-03-396, GAO-03-411, and GAO-03-1061)

2.46.A. Improving Accountability Over U.S. Funds Provided to Two Micronesian Nations: In 2000, we recommended that the Department of State negotiate new funding agreements with the Federated States of Micronesia and the Republic of the Marshall Islands to include provisions such as specifying eligible uses of capital account funds, requiring that funds be set aside to maintain capital projects, expanding annual reporting requirements to include information on expenditures in priority areas, and stating that the United States could withhold funds for noncompliance with spending and oversight requirements. State—in close cooperation with the Department of the Interior—responded directly to all of our recommendations. For example, the amended agreements state that the United States can withhold future payments if the Federated States of Micronesia and the Republic of the Marshall Islands fail to comply with grant terms and conditions or do not cooperate in U.S. investigations into the use of funds. (GAO/NSIAD-00-216)

2.47.C. Ensuring Results and Accountability for Microenterprise Programs: Acting on our recommendations that the U.S. Agency for International Development review and reconsider the methodologies it used for collection, analysis, and reporting on results of key program areas, a House of Representatives' report cited our key findings and recommendation as justifying the need for new legislation and better program implementation and monitoring. (GAO-04-171)

2.48.C. Overseeing the Reconstruction of Afghanistan and Iraq: In June 2004, we reported that the deteriorating security situation and limited resources have impeded the progress of U.S. reconstruction efforts in Afghanistan. We recommended that the U.S. Agency for International Development improve its reconstruction strategy for Afghanistan. In response, the U.S. Agency for International Development committed itself to developing a more comprehensive strategy to guide its

efforts in Afghanistan. We also recommended that the Department of State improve its reporting of U.S. reconstruction expenditures in Afghanistan. Also in June 2004, we reported on U.S. efforts to rebuild Iraq, including (1) reconstruction costs; (2) efforts to stabilize Iraq and develop Iraqi security forces; (3) programs to help Iraq develop a unified, democratic government; and (4) efforts to restore electricity. The report detailed the ways in which the deteriorating security situation in the year following the conclusion of major combat operations hindered Iraqi reconstruction activities and presented challenges to Iraq's political transition. The report was widely cited in national media, provided key information about Iraq to American taxpayers, and provided the Congress with crucial oversight questions as it assesses progress in rebuilding Iraq. (GAO-04-403 and GAO-04-902R)

2.49.C. Improving Efforts to Treat Acquired Immune Deficiency Syndrome (AIDS) Overseas: We reported on key challenges U.S. government agencies face in expanding AIDS treatment in resource-poor settings under the President's $15 billion Emergency Plan for AIDS Relief. Nearly all of the U.S. field staff we interviewed in 14 focus countries cited problems coordinating with non-U.S. groups, and slightly fewer cited problems coordinating with other U.S. government entities. Limited coordination has led to duplicate efforts, confusion regarding standards, and heavy administrative burdens. Partly in response to our work, a House committee report on pending legislation called on the U.S. Global AIDS Coordinator to report on the depth and breadth of U.S. coordination with each host country and with other donors. (GAO-04-784)

2.50.C. Improving the Compact of Free Association: In past work we found that over $1.6 billion in U.S. funding to the Federated States of Micronesia and the Republic of the Marshall Islands under a "Compact of Free Association" during a 12-year period between 1987 and 1998 had resulted in little economic development in either country. Further, we reported that accountability for these funds had been limited. In the summer of 2003, as the Congress considered approval of a recently amended compact, we testified on three occasions and reported that (1) recently renegotiated economic assistance sections of the compact could cost the U.S. government over $3.5 billion during the next 20 years and (2) recently strengthened reporting and monitoring measures in the compact could lead to improved accountability if diligently implemented. As a result of our work, congressional members emphasized that our contribution was invaluable to the Congress's understanding of the many complex issues involved in considering approval of the revised compact and required improved accountability in the revised agreement. (GAO-03-890T, GAO-03-988T, and GAO-03-1007T)

2.51.C. Ensuring That U.S. Aid Does Not Benefit Terrorists: We reviewed the United Nations Relief and Works Agency's efforts to comply with U.S. laws that require the agency to take all possible steps to ensure that it is not using U.S. government funds to aid Palestinian refugees involved in terrorism. While we found that the agency's efforts had been constrained by security concerns and other factors, we also determined that the agency had not agreed to take steps recommended by the Department of State—including issuing explicit guidelines for staff to report compromises of the United Nations Relief and Works Agency's staff or facilities. Citing our work, the appropriations committees urged the agency to implement State's recommendations and asked State to provide the agency with funds needed to implement a key recommendation. (GAO-04-276R)

2.52.C. Overseeing the United Nations Oil for Food Program: Between March and July 2004, we testified five times before the Congress on the corruption, diversion of funds, and responsibilities related to the United Nations Oil for Food Program in Iraq and the efforts to find the illicit funds. We estimated that the former Iraqi regime acquired over $10 billion from oil smuggling and illicit manipulation of the program and that the new Iraq government faced significant challenges in making an effective transition from the program. Partly on the basis of our work, the national media informed U.S. citizens about the issue, the United Nations began an official inquiry into the program, and the Congress began five investigations of the oversight of the program and passed legislation to ensure full accountability. (GAO-04-579T, GAO-04-651T, GAO-04-730T, GAO-04-880T, and GAO-04-953T)

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

2.53.A. Overseeing the Farm Credit System: Statutes require associations covered by the Farm Credit System (System) to prepare programs for making credit available to young, beginning, and small farmers. In 2002, we recommended that, as the regulator of the System, the Board of the Farm Credit Administration, promulgate a regulation that outlines specific activities and standards that constitute an acceptable program for these farmers. The Farm Credit Administration has issued a final regulation that delineates the minimum components that each association must include when developing programs for young, beginning, and small farmers. These components include a mission statement describing program objectives and specific means for achieving such objectives, annual quantitative targets for credit-qualified farmers that are based on an understanding of reasonably reliable demographic data for the lending territory, annual qualitative goals, and methods to ensure that credit and services offered to qualified farmers are provided in a safe and sound manner. The regulations provide that such methods could include customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs. Setting such standards in regulation will enhance the Farm Credit Administration's oversight of the System's efforts in achieving its mission to serve young, beginning, and small farmers. (GAO-02-304)

2.54.A. Filling Gaps in the Trade Advisory Committee: In September 2002, we recommended that the agencies that are members of the committee continue to increase outreach efforts to fill gaps in committee composition and revitalize membership. In response, one member agency—USDA—examined current committee composition and identified gaps in coverage that it then worked to fill. (GAO-02-876)

2.55.A. Using Interim Security Clearances to Speed Appointments: We recommended that the United States Trade Representative work with other agencies to make the existing trade advisory committee's consultation process more meaningful and reliable. Specifically, we recommended that the agencies streamline the nomination and appointment process for committee members and prevent disruptions in the committee activity caused by lapses in charters. In response, the United States Trade Representative, USDA, and the Departments of Commerce and Labor now grant new advisors interim security clearances, if necessary, so that they can actively participate in the committee while the full clearance process is conducted. (GAO-02-876)

2.56.A. Providing Trade Advisors With Better Access to Important Information: We recommended that agencies provide sufficient technological and human resources to support meaningful consultations and ensure effective functioning of the trade advisory committee system. Officials from the United States Trade Representative, USDA, and the Departments of Commerce and Labor all stated that in response to this recommendation, a new secure Web site was created to allow all cleared advisors better access to important trade documents. This secure system was instrumental in providing advisors access to final agreement texts, so they could prepare required reports to the Congress. It is also being used for current negotiations. In order to improve advisor access to key United States Trade Representative officials, USDA also arranged to have more frequent meetings to achieve pressing goals. (GAO-02-876)

2.57.A. Clarifying Guidance on Promoting Tobacco: We reported that USDA's Foreign Agricultural Service had not issued guidance implementing tobacco-related restrictions since 1994. In response to our report, the Secretary of Agriculture instructed overseas offices on not promoting the sale or export of tobacco or tobacco products. USDA has taken action to provide detailed instructions on tobacco-related activities to overseas staff, emphasizing the restrictions related to challenging a country's laws and regulations on tobacco promotion. USDA has reviewed all of its ongoing activities, revised its reporting guidelines, and instructed overseas offices not to comment on tobacco product and price matters and to ensure that reported material is consistent with legislated restrictions. (GAO-03-618)

2.58.A. Improving Government-Sponsored Enterprises (GSE) Oversight: In a September 2003 report, we recommended that the Federal Housing Finance Board—the regulator of the 12 Federal Home Loan Banks (FHLBanks)—should collect better data on loan (or advance) collateral to monitor the FHLBanks' safety and soundness. We found that the FHLBanks used differing methodologies to collect and report the data to the Federal Housing Finance Board, which raised questions about the data's value. The Federal Housing Finance Board agreed with the recommendation and has developed revised guidance to the FHLBanks designed to ensure consistent collateral data collection and reporting. With improved data, the Federal Housing Finance Board should be in a better position to monitor the FHLBanks' safety and soundness as well as the placement of certain types of collateral, such as small business and agricultural loans pledged as collateral for FHLBanks advances. (GAO-03-973)

2.59.A. Improving Foreign Military Sales End-Use Monitoring: The transfer of defense articles to U.S. allies is an integral component of U.S. national security and foreign policy, as it helps promote interoperability among allies and assists foreign governments to defend themselves. However, criminal efforts to divert weapons and spare parts to terrorist countries have heightened concerns that U.S. transfers of defense materiel are not secure. In August 2000, we reported that DOD field personnel were not monitoring the end use of U.S. weapons sold to foreign governments—as required by the Arms Export Control Act—to provide reasonable assurance that recipients are complying with U.S. government requirements on the use, transfer, and security of defense articles and services. We further found that DOD was not complying with the act's end-use monitoring reporting requirements. On the basis of our recommendations, DOD developed end-use monitoring guidance for headquarters and field personnel and, beginning with the fiscal year 2005 Congressional Budget Justification for Foreign Operations, reported required information to the Congress on the activities and resource expenditures associated with end-use monitoring of foreign military sales. (GAO/NSIAD-00-208)

2.60.A. Improving the Monitoring and Enforcement of Trade Agreements: In response to our recommendations, USDA, the Department of Commerce (Commerce), and the U.S. Trade Representative took actions to improve the United States' capacity to monitor and enforce trade agreements. For example, the U.S. Trade Representative reconciled its list of trade agreements with Commerce's list, helped clarify that agriculture agreements be maintained on USDA's Web site, periodically reviews the list for scope and coverage on behalf of the participants of the interagency Trade Policy Staff Committee, helped develop and implement a series of procedures to improve record keeping within the executive branch for trade agreements, and directed committee participants to submit appropriate trade agreements to Commerce and USDA. To strengthen the existing interagency process for prioritizing the monitoring and enforcement workload, the agencies developed a training course on trade compliance and created the Monitoring and Enforcement Subcommittee of the committee. (GAO/NSIAD-00-24 and GAO/NSIAD-00-76)

2.61.A. Estimating Export Growth: Between 2000 and 2002, we issued several reports on efforts to provide debt relief to the poorest and most indebted countries. We reported that when the World Bank and International Monetary Fund calculated the amount of debt relief countries could receive, they assumed that countries would achieve strong, sustained economic growth. We found this assumption to be optimistic since these countries rely on primary commodities—such as coffee—for much of their export revenue and the prices of such commodities have fluctuated, with earnings declining in certain years. We further reported that failure to achieve the projected growth levels could lead to these countries again have difficulty repaying their debt. Partly in response to our work, the World Bank and International Monetary Fund have made their export growth projections more realistic. (GAO/NSIAD-00-161 and GAO-03-215R)

2.62.C. Improving Oversight of Federally Supported Financial Institutions: To improve oversight of the risk management and mission activities of GSEs that support housing and home ownership—the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank System—we recommended the creation

of a single, independent agency. We also recommended steps to strengthen corporate governance of GSEs and to establish standards for measuring GSE mission compliance in order to facilitate better regulatory and congressional oversight. The Congress developed pending legislation incorporating major features of our recommendations, including the creation of a single housing GSE regulator that would be governed by a hybrid board and have both safety and soundness and mission oversight responsibilities. (GAO-04-269T)

2.63.C. Providing Investors with Better Information on Mutual Fund Expenses: To give investors a better understanding of the fees charged by their mutual funds, and to promote healthy competition in the mutual fund industry, we recommended in a series of reports and testimonies that the Securities and Exchange Commission improve transparency regarding mutual fund fees and enhance the disclosure of related distribution practices. As a result of our work, the commission adopted a new rule improving the disclosure of mutual fund fees to shareholders. The rule requires that fund shareholder reports include a table that shows the cost in dollars associated with an investment of a standardized amount ($1,000) that earned the fund's actual return for the period. This rule will enhance the ability of investors to evaluate the cost of investing in various mutual funds by making more it transparent and easier to compare the fees charged by mutual funds. In addition, the commission recently proposed enhanced requirements for the disclosure of mutual funds' transaction costs. (GAO-03-551T, GAO-03-763, GAO-03-909T, GAO-04-317T, and GAO-04-533T)

2.64.C. Strengthening the Oversight of Missile Technology Exports: In 2001, we reported that the Departments of Commerce and State have not clearly established export jurisdiction for almost 25 percent of the items the United States agreed to control as part of an international missile nonproliferation agreement. To help prevent the unauthorized export and proliferation of missile technologies, we recommended that the departments take action to establish clear and comprehensive export control jurisdiction over missile technology items. Despite having opportunities to implement these recommendations, the departments failed to do so. As a result, the House of Representatives included language in the Department of State's authorization bill for fiscal years 2004 and 2005 requiring the departments to certify that all missile technology items are controlled and report any areas of overlap or omission to the Congress. (GAO-02-120)

Strategic Goal 3

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

Source: See Image Sources.

Reexamine the Federal Government's Role in Achieving Evolving National Objectives

3.1.C. Developing a System of Key National Indicators: We helped catalyze a growing amount of activity and interest in developing a system of selected key national indicators that would provide a single, independent, trusted, reliable, widely available, and usable source of information. Contributions included (1) advancing the Key National Indicators Initiative, a public/private effort established to build a prototype of a U.S. economic, social and cultural, and environmental indicator set that was formed in response to a February 2003 forum that we and the National Academies hosted; (2) helping provide impetus to launch a nationwide community indicators consortium to increase the availability of information; and (3) supporting participation in a November 2004 Organisation for Economic Co-operation and Development forum that is intended to catalyze, promote, and sustain a global community of practice on how to develop and use indicator systems. (GAO-03-672SP)

3.2.C. Addressing the District of Columbia's Structural Imbalance and Management Issues: As a result of our May 2003 report, the Congress is addressing the District of Columbia's large fiscal imbalance. Specifically, in May 2004, a bipartisan bill was introduced in the House (H.R. 4269) to provide the District of Columbia with an $800 million federal payment, which would increase in future years. Our report is referenced in the bill as evidence that the District of Columbia faces an imbalance of this magnitude. Further, in June 2004, we testified at a hearing where our work was cited as a key document in informing this debate and spurring action to address the imbalance. (GAO-03-666 and GAO-04-908T)

Support the Transformation to Results-Oriented, High-Performing Government

3.3.A. Creating a Senior-Level Information Technology (IT) Executive in the Office of the Architect of the Capitol (AOC): As a result of our 2003 management review of AOC, we recommended that AOC establish a chief information officer or comparable senior executive who has the responsibility, authority, and adequate resources for managing IT operations across the agency and who is a full participant in AOC's senior decision-making processes. In response, AOC established a senior executive with our recommended responsibility, authority, and resources, including control of AOC's IT budget. These actions should position the agency to effectively leverage IT as an agencywide resource. (GAO-04-299)

3.4.A. Eliminating Congressional Reporting Requirements: Our products that highlighted the need to eliminate outdated congressionally mandated reporting requirements led to a statutory provision for the President to submit a list of reporting requirements that could be eliminated. Acting on a list submitted with the fiscal year 1997 budget document, the Congress passed the Federal Reports Elimination Act of 1998 (Pub. L. No. 105-362), which eliminated or modified approximately 187 congressionally mandated reports. The Congressional Budget Office estimated fiscal year 1999 sav-

ings of $1 million and subsequent savings of $500,000 per year beginning with fiscal year 2000. (GAO/GGD-92-90FS)

3.5.A. Addressing Shortfalls in Foreign Language Capability: Our January 2002 report led the Department of State to adopt a results-oriented approach to human capital management for foreign language speakers. State also launched an initiative that will allow for longer language training, enhanced efforts to attract more qualified language speakers, and a plan to help meet the need for more people with higher levels of competence in all languages, especially those deemed critical to national security concerns. (GAO-02-375)

3.6.A. Influencing Federal Acquisition Rules to Maximize Competition and Savings when Buying Services: Each year, DOD and other federal agencies spend billions of dollars to acquire IT and other services through the General Services Administration's Federal Supply Schedule. However, in November 2000, we found that because of unclear procedural guidance on contract orders, agencies were not taking the necessary steps to ensure that they were getting the best services at the best prices. DOD, for example, consistently purchased IT services from the schedule without seeking competitive quotes. In response to our work, the government's acquisition regulation councils adopted new rules in July 2004 that increase competitive quote requirements when agencies buy schedule services and require proper justification and higher-level approval of sole-source orders when competition is not possible—two actions that should result in best pricing under the General Services Administration's schedule. (GAO-01-125 and GAO-03-399R)

3.7.A. Influencing Budget Reduction for DOD Services Contracting: Although DOD is the government's largest purchaser of services—spending nearly $100 billion in contract actions in fiscal year 2002—it has failed to effectively leverage its enormous buying power. We found that this was due in large part to DOD's highly decentralized contracting environment and presented in our January 2002 report an overall strategic framework to guide DOD services-contracting reforms. In response to our work, the Congress enacted Defense authorization legislation in 2002 and appropriations legislation in 2003 directing DOD to institute reforms of its services contracting and cutting DOD's 2003 appropriations by $850 million, which is a financial benefit of over $867 million in current dollars. (GAO-02-230)

3.8.A. Increasing Efficiency and Improving Performance of Competitive Sourcing: Competitive Sourcing—a governmentwide Presidential management initiative—aims to expand competition between public and private sources to encourage innovation, increase cost efficiencies, and improve agency performance. Although each of the agencies we reviewed had laid the foundation for a competitive sourcing program, they faced several challenges in strategically focusing their long-range competitive sourcing plans to achieve improved outcomes. On the basis of recommendations that we made in our February 2004 report, OMB issued guidance requiring agencies to submit long-term plans that explain why functions are being selected for competition in an effort to help agencies realize the potential benefits of competitive sourcing and ensure greater transparency and accountability. (GAO-04-367)

3.9.A. Influencing Legislation to Ensure Improved Acquisition of Government Services: The Services Acquisition Reform Act of 2003 provides federal agencies tools for addressing acquisition workforce reductions and using alternative contracting approaches. In April 2003, we testified that we supported certain provisions of the legislation—such as creating a Chief Acquisition Officer in each civilian executive agency—but noted concerns about others. For example, one provision would have changed the Federal Acquisition Regulation to include the use of time-and-materials and labor-hour contracts for commercial services commonly sold to the general public. Such contracts may only be used when it is not possible to accurately estimate the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. In line with our observation that adequate surveillance would be needed to give reasonable assurance that the contractor is using efficient methods and effective cost controls, the enacted legislation stipulated that certain conditions must be met for time-and-materials and labor-hour contracts. (GAO-03-716T)

3.10.A. Enhancing the Transformation to e-Government—the "Electronic Connection" between Government and the Public: We helped the Congress further the goal of effectively expanding the use of e-government to better serve the public. For example, we identified strengths and weaknesses of draft versions of the E-Government Act of 2002, which became law in December 2002. Recognizing the importance of this transformation, the President designated expanded e-government as one of the governmentwide priorities in the President's Management Agenda. In addition, as the time frames for implementing these initiatives drew to a close, we reported on the mixed progress that agencies have made, highlighting the common challenges that need to be overcome if these projects are to produce meaningful results and pinpointing the need for better collaboration to improve the results for one poorly performing initiative. Other detailed assessments of individual initiatives have led to further improvements. For example, we reported on the challenges of developing a centralized e-Authentication Gateway for ensuring secure electronic transactions, a key element of expanded e-government. As a result of our raising these issues, the centralized gateway design was dropped in favor of a more effective decentralized approach. Similarly, our detailed look at emerging technologies, such as smart cards and public key infrastructure technology, identified potential opportunities for leveraging these technologies to support more secure electronic transactions. (GAO-01-277, GAO-03-144, GAO-03-952, GAO-04-6, GAO-04-157, and GAO-04-561T)

3.11.A. Helping Federal Agencies Advance Their IT Modernization Programs: Our ongoing work has helped to strengthen the management of complex, multibillion-dollar IT modernization programs at IRS, the Federal Aviation Administration, and DOD. For example, our continuing constructive engagement with IRS on its multibillion-dollar systems modernization program resulted in improved controls over software development and contributed to additional operational improvements and reduced costs by helping IRS more effectively manage the pace and scope of the program. Similarly, the Federal Aviation Administration has made progress in implementing our recommendations to implement key systems acquisition practices, IT investment management processes, and a systems architecture. The Federal Aviation Administration's adoption of these recommendations, combined with our recent recommendations for further improving IT management, has improved the agency's acquisition and oversight capabilities and resulted in reduced exposure to risks. Further, we continued to work constructively with DOD in its efforts to improve management of its multibillion-dollar business systems modernization efforts. For example, we maintained focus on DOD actions to implement our recommendations for developing and implementing an enterprise architecture. This work has resulted in some improvements in architecture and investment management process controls, but has also continued to highlight limited progress in other areas and identified additional weaknesses that require DOD's attention, such as the completeness of the architecture, the focus of architecture improvements, oversight and control of business system investments, and the use of system acquisition best practices. (GAO-02-356, GAO-03-108, GAO-04-438T, GAO-04-731R, GAO-04-822, and GAO-04-901)

3.12.A. Improving the Government's Collection, Use, and Dissemination of Information: We provided assistance to the Congress in ensuring that federal information is effectively managed and leveraged to improve agency performance and to protect citizens' rights. For example, we reported annually on governmentwide progress in implementing the Freedom of Information Act, highlighting the rise in the number of requests for information from the public that were fully granted, as well as the decrease in denials. On the issue of privacy, we also identified specific opportunities to improve governmentwide guidance on and compliance with the Privacy Act. Further, we highlighted related emerging issues by inventorying efforts across government to "mine" federal data to identify trends and patterns and determining the extent to which these efforts involved personal information. In addition, in a series of reviews mandated by the Congress, we made contributions toward ensuring that valuable electronic records created today will be adequately preserved in the future by identifying specific ways in which the National Archives and Records Administration could improve its planning for an electronic record archive. This work has resulted in substantial improvements to the Archives' efforts. Acting on a series of congressional mandates, we also provided perspective on how the changing technological

environment is affecting printing and information dissemination in the federal government. Most recently, we reported on the challenges that the Government Printing Office faces and identified options for the future, focusing on electronic dissemination rather than printing. (GAO-03-304, GAO-04-257, GAO-04-548, GAO-04-729T, GAO-04-830, and GAO-04-927)

3.13.A. Baselining and Improving Federal Agencies' Major Information Technology Management Practices: Drawing on IT management criteria in law, executive branch policy, and guidance, in fiscal year 2004, we baselined agencies' implementation of key strategic planning, performance measurement, and investment management practices. Upon finding significant deviations from these criteria, we issued numerous recommendations to 26 departments and agencies addressing, for example, IT strategic planning; establishing and linking enterprisewide goals and performance measures and tracking progress against these measures; and selecting, controlling, and evaluating investments. The departments and agencies have begun implementing these recommendations, which are intended to better ensure that agencies are responsible stewards of the billions of dollars for IT with which they have been entrusted. (GAO-04-49 and GAO-04-478T)

3.14.C. Improving Federal IT Investment Management: In reports and testimonies over several years, we demonstrated the need for improved IT investment management in the federal government. In 2004, we released two particularly significant reports that contribute to improving IT investment management. In January 2004, we provided for the first time a governmentwide perspective of agencies' capability to manage the approximately $60 billion yearly federal IT investment. We reported that the major federal agencies had in place less than half of the critical IT investment management practices we reviewed. In March 2004, we issued a significant revision to our IT Investment Management Framework, which provides a model for agencies to follow as they improve their investment processes. Among other things, the revision further explains the use of IT portfolio management as an important tool for the efficient and effective use of information resources. Together, these reports provide a status report on the state of IT investment management in the government and guidance on how to improve management of the federal government's IT investments. (GAO-04-49 and GAO-04-394G)

3.15.C. Improving OMB Guidance on Evaluation Quality: To improve consistency in OMB reviews of federal programs with its Program Assessment Rating Tool (PART) (a diagnostic tool meant to provide a consistent approach to evaluating federal programs as part of the executive budget formulation process), we recommended that OMB improve the tool's guidance to better define an "independent, quality evaluation." OMB subsequently released guidance for preparing the fiscal year 2006 budget that expanded on its discussion of evaluation quality and included references to our reports on evaluation as well as other evaluation resources from a list we circulated to federal evaluation officials, including OMB staff. For example, OMB explained the impacts that evaluations should ideally measure and explained the types of evaluations considered to be of the highest quality. Clarifying what constitutes quality evaluation evidence should help increase the credibility and acceptance of OMB's program ratings and associated program recommendations. (GAO-04-174)

3.16.C. Improving the Performance and Accountability of the Census Bureau: Our ongoing series of reviews of the decennial census has made the U.S. Census Bureau more results-oriented and has highlighted for the Congress the key budgetary and operational issues that need to be resolved to help ensure a more cost-effective head count in 2010. Our report on the cost and design of the census identified ways of improving the transparency of the bureau's planning process and underscored the need for policy makers to consider the long-term costs associated with the census to control spiraling expenditures and reduce the nation's future fiscal exposure. Similarly, our report on the feasibility of counting Americans abroad concluded that clear policy direction was needed on whether and how to count these individuals, while another study called the Congress's attention to shortcomings of the bureau's mail security procedures. Our work will also help improve the quality of census data in that our recommendations spurred the bureau to take steps to improve its procedures for counting migrant and seasonal farm workers. (GAO-04-37, GAO-04-470, and GAO-03-605)

3.17.C. Developing a Database for the Federal Vacancies Reform Act of 1998: In December 2003, we identified for the Congress approximately 500 executive branch positions subject to presidential appointment and Senate confirmation that are covered under the Vacancies Reform Act. We are maintaining a database of this information, which was obtained by surveying 116 executive branch agencies. The database represents the first comprehensive listing of such federal positions and will be very useful to the White House, the Congress, and us in our respective legislative and oversight roles regarding these positions. (Unnumbered correspondence)

3.18.C. Consolidating and Standardizing the Federal Government's Use of Terrorist Watch Lists: Our work with the federal departments and agencies that develop and maintain watch lists and our constructive engagement with the recently created Terrorist Screening Center—which is administered by the Federal Bureau of Investigation—have helped the administration move to identify the level of watch list consolidation and standardization necessary to effectively control and protect our nation's borders. Our 2003 report and testimony, which highlighted that the federal government's decentralized approach to using watch lists in performing its border security mission had resulted in nonstandard and overlapping lists, provided recommendations that included a step-by-step framework for determining the level of consolidation and standardization needed. Since our report, the Administration has taken actions that are consistent with our recommendations. For example, in September 2003, the President issued Homeland Security Presidential Directive 6, which, among other things, (1) makes it U.S. policy to develop, integrate, and maintain thorough and accurate information on terrorists and (2) directs the Attorney General to establish an organization to consolidate the federal government's approach to terrorist screening. In addition, the Attorney General, the Secretaries of State and Homeland Security, and the Director of Central Intelligence signed a memorandum of understanding to implement the President's directive, including establishing the Terrorist Screening Center, which became operational in December 2003. Our work has been key to helping the federal government transform how it manages watch lists and has improved our ability to effectively screen for terrorists at our borders. (GAO-03-322 and GAO-03-715T)

3.19.C. Improving the Federal Bureau of Investigation's IT Management: Our work at the Federal Bureau of Investigation helped to improve management of the bureau's ongoing and proposed IT investments, which total approximately a billion dollars over 3 years and are key to supporting the bureau's ongoing transformation. Specifically, our work in late 2003—which noted that the bureau did not have a blueprint, commonly referred to as an enterprise architecture, to guide and constrain IT investments or the management foundation needed to develop one—helped move the bureau to make architecture development a priority in fiscal year 2004 and energize efforts planned and under way to complete its architecture management foundation. For example, the bureau established an enterprise architecture policy that requires all IT investments to be reviewed by designated architecture governance board members. In addition, the bureau has hired a contractor to assist the bureau in developing, implementing, and maintaining the architecture. Our testimony and work in 2004 on systems modernization planning and other key IT management processes helped the bureau's new Chief Information Officer (CIO) identify the need to bring the bureau's policies and procedures for investment management and systems acquisition into alignment with the best practices used by leading organizations; these practices include granting the CIO the authority and responsibility to effectively manage IT resources across the bureau. In response, the CIO is, among other things, developing a new system life cycle process for managing IT investments that is to incorporate best practices. The CIO has also developed a proposal to provide his office with the requisite authority and responsibility to be effective. Collectively, our work helped the bureau to better position itself to effectively leverage IT in transforming the bureau to support critical mission operations such as preventing terrorism. (GAO-03-959, GAO-04-190R, GAO-04-578T, and GAO-04-842)

3.20.C. Improving the Federal Government's Human Capital Practices: We completed extensive and varied work that further developed and advanced the principles laid out in our Strategic Human Capital Model in areas including strategic workforce planning, training and development, equal employment opportunity and diversity, performance management, the federal hiring process, and the creation of much needed Chief Human

Capital Officers in federal agencies. In doing so, we encouraged federal agencies to take discrete actions or enhance their current efforts to address human capital challenges in the 21st century. (GAO-03-914, GAO-04-39, GAO-04-83, GAO-04-123T, GAO-04-127T, GAO-04-614, GAO-04-796T, GAO-04-800T, and GAO-04-546G)

3.21.C. Identifying Challenges Faced in the Establishment of DHS: We reported on a number of management issues, and related needed actions, surrounding DHS's establishment. First, we reported on the potential use of the Chief Operating Officer Concept as a strategy to improve management at DHS. Such a position could elevate, integrate, and institutionalize attention on key management challenges. We also issued a series of reports and testimonies on the process to design DHS's human capital management system, proposed human capital regulations, and the infrastructure needed to successfully implement the system. We reported that DHS's effort to design the system was collaborative and consistent with positive elements of transformation. We also noted that DHS is in the early stages of developing the infrastructure needed to implement its new human capital management system. Finally, we produced a report and two testimonies on the need for DHS leadership to help the nation achieve interoperable wireless communication systems among emergency first responders. This work resulted in recommendations that DHS assess interoperability nationwide and use federal grant awards to encourage states to develop interoperability plans. (GAO-03-1099, GAO-04-231T, GAO-04-479T, GAO-04-570R, GAO-04-617R, GAO-04-790, GAO-04-876R, GAO-04-963T, and GAO-04-740)

3.22.C. Improving Legislative Branch Agencies' Performance and Accountability: We completed comprehensive reviews of the major management functions, including human capital, financial management, and IT, at several legislative branch agencies. These reviews were conducted as constructive engagements and provided the agencies with best practice guidance and agency-specific recommendations related to the strategic planning process that should lead to improved performance, address program areas of long-standing concern, and move those agencies to a more results-oriented focus. (GAO-04-36, GAO-04-299, GAO-04-400, GAO-04-830, and GAO-04-966)

3.23.C. Strengthening OMB's PART: In June 2002, we responded to OMB's request for comments on the pilot version of PART, which is a tool intended to provide a consistent approach to evaluating federal programs during budget formulation. We questioned PART's ability to adequately evaluate programs that encompassed more than one of PART's seven mechanisms for service delivery and argued that the four components of a program's overall score were more meaningful than the overall score itself. Our analysis prompted OMB to allow its examiners to tailor the tool to each program being rated by selecting questions specific to more than one program type when necessary, and to publish a program's component scores in addition to its overall score in the fiscal year 2004 President's budget. In a later report, we recommended that OMB improve consistency in its PART reviews by improving its PART guidance. Specifically, we suggested (1) discussing the implications of how programs are defined; (2) clarifying the use of output measures versus outcome measures; and (3) better defining an "independent, quality evaluation." The 2006 PART guidance expanded the discussion in all three areas. OMB also supplemented the 2006 guidance with a list on its Web site of frequently asked questions about PART. Clarifying these areas of the guidance should help increase the credibility and acceptance of OMB's program ratings and associated program recommendations, ultimately increasing governmentwide interest in and awareness of linking resources and results during budget formulation. (GAO-04-174)

3.24.C. Improving Results-Oriented Management Governmentwide: Our 2004 review of the Government Performance and Results Act of 1993 highlighted its effect in creating a governmentwide focus on results. Our report has moved the debate from the utility of agency planning and reporting efforts to how those efforts can be further strengthened. In addition to providing a comprehensive source of information for the accountability community on the effectiveness of the act and the challenges that remain, the report influenced legislation introduced in 2004 to provide for enhanced evaluation of federal programs and routine assessment of program performance by OMB. The proposed legislation also calls for changes to time frames for agency strategic plan updates from 3 years to 4 to correspond with changes in political leadership, as we recom-

mended. Finally, the report influenced OMB to clarify its guidance to agencies on the relationship between the act and OMB's PART initiative. (GAO-04-38)

3.25.C. Strengthening DOD's Award Procedures for Contracts to Rebuild Iraq: As of September 2003, agencies had obligated nearly $3.7 billion on 100 contracts or task orders with private sector companies to support rebuilding efforts in Iraq. To determine whether these contracts had been awarded properly and administered effectively, we reviewed 25 contract actions, which represented about 97 percent of the obligated funds. Although agencies generally complied with applicable laws and regulations when awarding new contracts, we found that agency officials overstepped the latitude provided by competition laws by issuing task orders for work outside the scope of existing contracts. During the course of our review and on the basis of our preliminary findings, the Air Force released new guidance for issuing task orders, and the Army took steps to appropriately justify some of its decisions. Subsequent to our report, issued in June 2004, DOD has taken steps to implement a number of additional corrective actions to ensure compliance with competition requirements and to reduce cost risk to the government, as we recommended. (GAO-04-605)

3.26.C. Realizing Savings from Government Purchase Cards: Over the past decade, government purchase card spending has exploded from $1 billion to $16 billion. To determine whether agencies were leveraging this significant buying power to negotiate discounts, we analyzed purchase card prices at eight agencies that account for over 85 percent of the government's purchase card spending. Our analysis showed that most agencies had not identified and taken action to obtain more favorable prices on purchase card buys, and that the government could realize savings of up to $300 million if agencies were to negotiate discount agreements with their major purchase card vendors. On the basis of our findings, which we reported in March 2004 and testified on in April 2004, the Purchase Card Waste Elimination Act of 2004 was introduced. The act requires OMB and the General Services Administration to implement the recommendations we made to enable the government to obtain better prices on purchase card buys. (GAO-04-430)

3.27.C. Improving Internal Controls Related to the CPI: The CPI is one of the most important economic indexes produced by the federal government, and it has a significant impact on the federal budget. To compile the CPI, BLS collects tens of thousands of prices every month. Other than for certain food items, we found that BLS did not have any written guidance for its analysts when they made adjustments for replacement items that were "substitutions" for items it had been tracking. Nor did BLS have a policy of systematically reviewing adjustments made. We recommended that BLS address these issues because substitutions have a large impact on the price increases reported in the CPI. As a result of our report, BLS created written guidance for almost all of its items and instituted a program of monthly review to improve its internal controls and provide greater assurance that the CPI is an accurate measure of monthly price changes. (GAO/GGD-99-84)

3.28.C. Helping Make the Government's Mapping Information More Useful: Agencies at all governmental levels collect electronic information linked to specific geographic locations (geospatial information) in many different formats and resolutions, which is not only wasteful but prevents the information from being used to best advantage. Because good geospatial information is critical to many types of decision making, we reviewed existing coordination efforts and made recommendations to OMB to better streamline and consolidate geospatial information and also recommended that the Secretary of the Interior direct development of a national geospatial strategic plan. Congressional overseers, concerned about this long-standing problem, used our work as the basis for a hearing in June 2004 to draw attention to the problems of duplicative geospatial investments and spur efforts at better coordination and consolidation. (GAO-04-703)

3.29.C. Helping CBP Improve Its IT Modernization Program: Our work has resulted in DHS's CBP strengthening its ability to manage its multibillion-dollar IT modernization program and provided the Congress with information on which to base funding decisions. Our recommendations have focused on the need for the bureau to reduce the number of concurrent system development activities, reconcile program cost estimates with independent estimates, address human capital

weaknesses, and ensure the independence of its function to oversee the modernization program. CBP's adoption of our earlier recommendations related to developing and using an enterprise architecture, following an incremental system acquisition approach, and establishing system acquisition process controls has resulted in reduced exposure to risk. (GAO-03-406 and GAO-04-719)

3.30.C. Improving Electronic Health Information Exchange Capabilities: Through a series of reviews in fiscal year 2004, we highlighted critical planning and management weaknesses in VA's and DOD's multiyear efforts to develop and exchange electronic medical records that are essential to providing veterans and active duty military personnel with quality health care and necessary assistance in adjudicating disability claims. We reported that after 6 years of effort, the departments had not yet defined an architecture and technological solution to guide their development of the electronic capability needed to exchange patient health information between their systems, and lacked a fully established project management structure for the undertaking. Our findings and related recommendations helped the Congress establish an agenda for more effectively overseeing and tracking VA's and DOD's progress toward defining interoperable health technologies and encouraged a closer collaboration between the departments—which has helped strengthen their project planning and management and positioned them to more successfully contribute to the President's initiatives to define a framework and strategy for nationwide adoption of health information technology. (GAO-04-687, GAO-04-811T, GAO-04-402T, and GAO-04-271T)

3.31.C. Strengthening the Nation's Border Security: DHS's United States Visitor and Immigrant Status Indicator Technology (US-VISIT) program is a legislatively required effort to track the entry and exit of foreign visitors traveling to the United States and is one of DHS's largest single programs. In reviewing the fiscal year 2004 expenditure plan for the US-VISIT program, we identified a number of areas where US-VISIT could improve its program management activities. We noted that the program office was not employing the kind of rigorous and disciplined management controls typically associated with successful programs and that as the program grows in scope and complexity, these controls would become even more critical. The US-VISIT program management office generally agreed with our findings and has begun implementing some of our recommendations, including developing effective risk management processes and plans and developing system security plans. (GAO-04-586)

3.32.C. Strengthening DHS's IT Management: Our work at DHS helped to strengthen the management of the department's strategic plans and efforts to consolidate and integrate the approximately 700 IT systems and supporting IT organizations of the 22 component agencies merged within the department in 2003. In addition, our continuing constructive engagement with DHS on its development of its blueprint for current and future strategic operations and technology—commonly called an enterprise architecture—has contributed to helping the department design and implement a more effective and efficient approach to integrating business operation with supporting IT. For the third consecutive fiscal year, we conducted a mandated review of DHS's governmentwide, multibillion-dollar program to track the entry and exit of foreign visitors traveling to the United States, known as US-VISIT. Our work resulted in recommendations to strengthen the US-VISIT Program Office's ability to manage this program and provided the Congress with information upon which to make funding decisions. Our recommendations have focused on the need to establish a governmentwide entity to guide and direct the program, develop and implement key systems acquisition practices, address program and human capital management weaknesses, and assess the project's mission value in relation to its costs and risks. Also, since 1999, we have reported on CBP's efforts to acquire the Automated Commercial Environment, a new trade processing system. Our work has resulted in improved system acquisition management controls and reduced overlap between programs to develop multiple trade systems. Further, we made recommendations intended to reduce the risks of acquiring the Automated Commercial Environment by, for example, improving human capital management, instituting reliable cost estimating, ensuring independent verification and validation, and coordinating the Automated Commercial Environment with other programs such as US-VISIT. Collectively, our work has helped DHS to better position itself to effectively leverage IT as a depart-

mentwide resource and thus achieve its challenging mission goals and objectives. (GAO-03-406, GAO-04-509, and GAO-04-719)

3.33.C. Improving the Government's Ability to Respond to Terrorist Attacks and Other Emergencies: We helped the Congress move toward ensuring that the federal government is prepared for emergencies, including terrorist attacks. For example, we reported, based on detailed assessments of continuity-of-operations plans at major federal agencies, that agencies had not yet identified their functions that must be accomplished in an emergency and that none of the plans fully met the requirements of federal planning guidance. This work has focused congressional, agency, and public attention on the importance of these issues and resulted in improved planning guidance that places greater emphasis on the identification of essential agency functions. (GAO-04-160)

3.34.C. Developing Tools to Assist Agencies in Better Managing and Leveraging IT Dollars in Support of Business Operations: Guidance and tools that we developed are used today as an integral part of many federal agencies' IT programs. Most recently, in 2004, we issued the latest update to an IT investment management framework, which identifies and organizes critical processes for selecting, controlling, and evaluating IT investments in a framework of increasingly mature stages. Among other things, our update further explains the use of IT portfolio management as an important tool for the efficient and effective use of information resources. Use of this framework and our targeted agency reviews have helped to bring about improvements in the way billions of IT dollars are invested and managed each year in support of federal agencies' business operations. Another example is our work promoting the effective management of enterprise architectures—blueprints for engineering business processes and for implementing and evolving supporting information technology systems to optimize mission performance. Specifically, the enterprise architecture maturity framework we developed has become a common benchmarking tool for OMB to use in measuring improvements in the content of federal agencies' enterprise architectures and has established us as a "thought leader" in the architecture field. (GAO-04-40)

3.35.C. Promoting Effective Development and Use of Enterprise Architectures: We promoted effective management of enterprise architectures—blueprints for engineering business processes and for implementing and evolving supporting information technology systems to optimize mission performance. Building on our work in the late 1990s, which indicated that agencies were struggling with enterprise architecture development and use, we devised and published a maturity framework to provide a common benchmarking tool for planning and measuring efforts to improve their enterprise architecture management. In 2001, we conducted the first governmentwide survey that established a baseline indicating where improvements were needed, provided agencies with a road map for making those improvements, and called attention to the need for OMB to address barriers to challenges agencies were facing in their architecture efforts. Subsequently, our 2003 governmentwide architecture survey showed progress relative to the baseline and highlighted the need for continued improvements by individual agencies and OMB. Further, our participation in a congressional hearing on the Federal Enterprise Architecture, which is the cornerstone of OMB's effort to promulgate enterprise architectures throughout agencies, served to clarify the Federal Enterprise Architecture's purposes of facilitating the development of agencies' enterprise architectures and identifying opportunities for interagency collaboration on common IT solutions. Additionally, our reviews of DOD, DHS, and the National Aeronautics and Space Administration (NASA) have each highlighted the need for improvement to the management and content of their enterprise architectures. Taken together, our work has established us as a leader in the enterprise architecture field and a valued participant in governmentwide bodies, including the Chief Architect's Forum of the Chief Information Officers Council. (GAO-02-6, GAO-03-458, GAO-04-40, GAO-04-43, GAO-04-777, and GAO-04-798T)

Support Congressional Oversight of Key Management Challenges and Program Risks to Improving Federal Operations and Ensuring Accountability

3.36.A. Helping DOD Recognize Significant Flaws in Its Plans to Obtain an Audit Opinion: As part of a joint effort with DOD's Office of Inspector General to review DOD components' plans for obtaining a favorable fiscal year 2004 audit opinion, we concluded that the plans were neither feasible nor cost-effective. Specifically, we noted that DOD's plans omitted a substantial number of material financial statement line items; were based on erroneous key assumptions (such as the acceptability of unaudited beginning balances); were predicated on completion of corrective actions within short, unrealistic time frames; and failed to identify work-arounds to address reported deficiencies or relied upon extensive and costly manual work-arounds prior to the implementation of business process/system solutions. In response to our joint assessment, DOD's Comptroller recognized that the effort—estimated to cost approximately $2.2 billion—was neither cost-effective nor feasible and recognized that the effort would have failed to result in sustainable business processes and system improvements or achievement of the department's goal of a favorable opinion on its fiscal year 2004 financial statements. The Comptroller's decision not to spend these funds resulted in a financial benefit of over $2 billion in fiscal year 2004. (Based on work papers)

3.37.A. Reducing DOD System Funding: In congressional testimony and a related report, we have stated that despite an annual investment of $19 billion, DOD's system solutions have not been implemented on time and within budget, nor have they delivered the promised capability. Further, our analysis showed that DOD did not submit for approval $863 million in system modernization improvements to the DOD Comptroller, prior to the funds being obligated, as required by the fiscal year 2003 National Defense Authorization Act. As we have recommended, DOD has efforts under way to improve its control and accountability over its business system investments. For example, the DOD Comptroller has rejected or curtailed funding for several business systems, totaling about $130 million because the system efforts lacked adequate business cases. Institutionalizing this approach will help offer appropriate assurances that systems are delivered on time, within cost limits, and satisfy the planned capabilities. (GAO-01-525, GAO-03-458, GAO-03-465, and GAO-04-615)

3.38.A. Protecting Government Officials from Potential Security Risks: In June 2003, we found that personal information, such as addresses, for some federal government officials could be easily obtained from various Internet Web sites. Also, we found that some counties in the United States have made property tax records—including such data as the names of property owners, their addresses, and the value of the property as assessed for tax purposes—publicly available on the Internet. We advised the heads of 30 federal agencies that the availability of such information might pose serious security threats for some officials and their families because any individuals, including terrorists and other criminals inside or outside the United States, can easily obtain it. In response to our recommendations, the Department of the Treasury directed its officials to request unlisted telephone numbers and the removal of their names from real estate and tax databases available on the Internet. Also, the Assistant Sergeant-at-Arms of the Senate has included our recommendations on the protection of personal information as part of the U.S. Capitol Police's security briefing to newly arrived senators. (Based on briefing)

3.39.A. Revising DOD Working Capital Fund Appropriations: Over the years, we have reviewed DOD funds related to work that is carried over from one fiscal year to the next—referred to as carryover—and various aspects of the defense working capital fund, including cash management requirements. Our work on excessive amounts of carryover resulted in the Congress reducing Air Force and Navy fiscal year 2004 operation and maintenance appropriations by $258 million. Further, our work on cash management requirements found that (1) the Army and Air Force working capital funds' cash balances would exceed DOD's cash requirement at the end of fiscal year 2004 and (2) the Navy working capital fund cash balance would not exceed the cash requirement because the Navy

planned to move $448 million of cash out of the working capital fund during fiscal year 2004. Acting on this review, the Congress reduced the Army, Air Force, and Navy fiscal year 2004 operation and maintenance appropriations by $372 million because of excessive amounts of working capital fund cash. (GAO/AIMD-96-54, GAO/T-AIMD/NSIAD-97-221, GAO-01-559, GAO-02-623, and GAO-03-668)

3.40.A. Influencing Legislation That Addresses NASA's Workforce Challenges: In a series of reports and testimonies over the past several years, we highlighted concerns about workforce issues facing NASA, including a lack of qualified staff to support areas critical to shuttle safety. Recognizing the seriousness of this problem, we identified "strengthening human capital management" as one of NASA's major management challenges beginning in January 2001. In response, NASA proposed legislation to provide it with further flexibilities for attracting and retaining a skilled workforce. On February 24, 2004, the Congress enacted the NASA Flexibility Act of 2003 (Pub. L. No. 108-201), which gives NASA more flexibility to recruit and retain a highly skilled workforce. (GAO/NSIAD/GGD-00-186, GAO-01-1122T, GAO-01-258, GAO-02-945T, and GAO-03-114)

3.41.A. Improving Controls over Government Purchase Cards: In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in the government's $16 billion purchase card program. Our work identified numerous cases of fraud, waste, and abuse at DOD, HUD, and the Federal Aviation Administration. These agencies have taken significant steps to implement the hundreds of recommendations we made to upgrade their controls. Major improvement areas include enhanced controls over card issuance and cancellation, reduced span of control for approving officials, increased human capital resources and training, new performance measures and goals, required advance approval of purchases, and independent receiving and acceptance of goods and services. These efforts will substantially reduce the government's vulnerability to fraud, waste, and abuse in agencies' purchase card programs. (GAO-01-995T, GAO-02-32, GAO-02-506T, GAO-02-732, GAO-02-1041, GAO-03-154T, GAO-03-167T, GAO-03-292, GAO-03-489, GAO-03-405, and GAO-04-156)

3.42.A. Reducing National Security Risks Related to Sales of Excess DOD Property: Our testimony and report to the Congress stated that DOD sold excess biological laboratory equipment; chemical and biological protective suits; and related gear such as masks, hoods, filters, boots, and gloves that could be used to produce and disseminate biological agents such as anthrax. As a result of our work, DOD performed a risk assessment to determine and establish appropriate controls over excess laboratory equipment and discontinued the sale of chemical and biological protective suits and related gear to the public—actions that should significantly reduce the associated national security risk. (GAO-04-15NI and GAO-04-81TNI)

3.43.A. Improving Collection of Delinquent Nontax Debt: We continue to promote using key provisions of the Debt Collection Improvement Act of 1996 to collect nontax delinquent debt that annually has exceeded $60 billion. Acting on our recommendations, the Department of the Treasury and other federal agencies have continued actions to implement the act's key provisions to improve collections. For example, Treasury added certain Social Security benefit payments to its payment offset program to recover delinquent debts. Also, USDA's Farm Service Agency and Rural Housing Service improved debt collection performance and have taken actions to refer all eligible delinquent debts to Treasury for collection. These actions, along with the actions that other agencies have taken in response to our recommendations, have added about $366 million to a steady stream of recoveries. (GAO/AFMD-90-12, GAO/T-AIMD-98-195, GAO-02-308, GAO-02-313, and GAO-02-463)

3.44.C. Improving NASA's Cost-Estimating Processes to Help Strengthen Program Management: For more than a decade, NASA's contract management has been on our high-risk list—partly because of persistent cost growth and NASA's inability to collect, maintain, and report the full cost of its programs. Through a review of selected programs, we found that NASA lacks the basic cost-estimating processes needed to establish priorities, quantify risks, and make informed investment decisions. As a result, programs may be restructured to fit available resources, increasing the risk of cost and schedule overruns and failure to meet program objectives—a risk that will escalate if

NASA reallocates funding from existing programs to support new visions for space exploration. We also identified a number of barriers to implementing effective cost-estimating practices, including the lack of reliable financial and performance data and the lack of incentive to measure and monitor cost trends. Acting on our analysis and recommendations, NASA has begun to take actions—including developing or revising policies and directives—to remove these barriers and improve its cost estimating practices. (GAO-04-642)

3.45.C. Identifying Unpaid Taxes Owed by DOD Contractors: We reported that DOD and IRS records showed that over 27,000 contractors registered in DOD's Central Contractor Registration system owed about $3 billion in unpaid taxes as of September 30, 2002. DOD had not fully implemented provisions of the Debt Collection Improvement Act that would have assisted IRS in levying up to 15 percent of each contract payment to offset DOD contractors' federal tax debt. IRS's continuing challenges in collecting unpaid federal taxes—resource and workload management constraints and control breakdowns—also contributed to the problem. We estimated that DOD could have collected at least $100 million in fiscal year 2002 had it and IRS fully utilized the levy process authorized by the Taxpayer Relief Act of 1997. As of September 2003, DOD had collected only about $687,000, in part because DOD provided contractor payment information from only one of its numerous payment systems to the Treasury Offset Program. As a result of our recommendations, DOD agreed to fully comply with the law, and IRS noted a number of actions to accelerate the collection of delinquent taxes and estimated that more than 2 million additional accounts and over $25 billion would be included earlier in the collection process. (GAO-04-95 and GAO-04-414T)

3.46.C. Increasing Focus on Pay Problems Experienced by Mobilized Army National Guard and Reserve Soldiers: In reports and related testimonies, we highlighted significant pay problems—including overpayments, underpayments, and late payments—to Army National Guard and Reserve soldiers mobilized to active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. Overall, we found 782 of the 829 soldiers we studied from 14 case study units had at least one pay problem associated with their mobilization. DOD's inability to provide timely and accurate payments to these soldiers, many of whom risked their lives in dangerous combat missions in Iraq or Afghanistan, distracted them from their missions, imposed financial hardships on the soldiers and their families, and has had a negative impact on retention. DOD agreed with the series of 39 recommendations we made to improve its processes, human capital operations, and systems operations and has initiated some actions and planned other actions to address these deficiencies. Thus far, DOD has consolidated related pay policies and procedures, eliminated error-prone manual monthly entry for certain types of pay, and established required clearer explanations of pay transactions on soldiers' leave and earnings statements. (GAO-04-89, GAO-04-413T, GAO-04-911, and GAO-04-990T)

3.47.C. Improving Controls over DOD's Credit Cards: As part of our series of reports on DOD's controls over credit card transactions, we reported and testified on flaws in DOD's systems, processes, and internal control environment related to the use of premium-class (first-class and business-class) airline travel by DOD military and civilian personnel. On the basis of statistical sampling, we estimated that 72 percent of the over 68,000 premium-class airline tickets DOD purchased for fiscal years 2001 and 2002 were not properly authorized and that 73 percent were not properly justified. During fiscal years 2001 and 2002, DOD spent almost $124 million on premium-class tickets that included at least one leg in premium class—usually business class. In response to recommendations in our report, DOD has taken action to establish and monitor adherence to policies and procedures to limit premium-class travel and to increase the level of authority required to approve premium-class travel. These actions, along with DOD's newly formed premium-class taskforce, should help establish clear lines of responsibility, authority, monitoring, and accountability to improve controls over premium-class travel. (GAO-04-88 and GAO-04-229T)

3.48.C. Terminating a HUD Contractor Engaged in Highly Questionable Billing Practices: In 2004, we identified $16.5 million in payments for questionable items that were made by HUD's Federal Housing Administration single-family property program. These included payments of $181,450 to a property management contractor for work that was substandard or not performed. For

over 5 years, HUD documented its concerns regarding the firm's serious performance deficiencies and questionable billing practices. At the same time, HUD paid bills from this contractor that totaled over $425 million. Using various forensic auditing techniques, we detected a pattern of suspicious billing schemes and identified the potentially fraudulent claims from this contractor. Our work contributed to the termination of this firm's contract with HUD and a referral to the U.S. Attorney's Office for prosecution. (GAO-04-390)

3.49.C. Revealing Government Costs for Employee Degrees from Diploma Mills and Other Unaccredited Schools: We testified this year before the Congress on our work involving degrees from diploma mills and other unaccredited schools. We obtained information from three such schools that indicated payments totaling almost $170,000 by the federal government for students identified as federal employees who had received degrees. However, on the basis of our work, we believe that the amount paid by the federal government probably exceeds that total. We found that many of the eight agencies we contacted had difficulty in providing reliable data because they did not have systems in place to properly verify academic degrees or to detect fees for degrees that are masked as fees for training courses. Further, the agency data we obtained likely do not reflect the true extent to which senior-level federal employees have diploma-mill degrees. This is because the agencies do not sufficiently verify the degrees that employees claim to have or the schools that issue the degrees—a necessary step considering similarity that frequently exists between the names of accredited schools and the names assumed by diploma mills. Finally, we found that there are there are no uniform verification practices across the government by which agencies can obtain information and conduct effective queries on schools and their accreditation status. (GAO-04-771T)

3.50.C. Curtailing Purchases of an Addictive Pain Medication through the Internet without a Prescription: In congressional testimony this year, we told how our investigators easily obtained hydrocodone—a potentially dangerous and addictive narcotic pain medication whose illicit use has increased significantly in recent years. Our investigators placed orders for hydrocodone through certain Web sites and found that they were easily able to purchase the drug without submitting a prescription or undergoing an examination by a physician. Also, our investigators found that the Internet pharmacies from which they purchased the hydrocodone charged significantly higher prices for the drug than walk-in pharmacies. We concluded that Internet drug operations like these appear to be in the business of knowingly servicing, and profiting from, individuals who may purchase pain medication for illicit purposes. (GAO-04-892T)

3.51.C. Demonstrating How Illegal Drug Trafficking Undermines Patient Drug Rehabilitation Efforts: In our July 2004 testimony before the Congress, we discussed our work related to illegal drug activities in the vicinity of some District of Columbia drug rehabilitation clinics. Specifically, we conducted physical surveillance of five District of Columbia clinics and found that significant illegal drug trafficking took place in the vicinity of these clinics. On a daily basis, patients trying to make their way to the clinics must navigate their way through a virtual bazaar of illegal drug dealing when they enter and exit the clinics. Also, clinic personnel and law enforcement officials we interviewed at three of the five clinics confirmed that extensive illegal drug dealing activity occurred in the vicinity of their clinics. Clinic personnel told us of problems patients had in resisting the temptations offered to them by drug dealers who confront the patients on a daily basis. Also, clinic personnel told us that at least monthly, at least one patient reports being assaulted in the clinic's vicinity and robbed of methadone. On the basis of our work, we concluded that because of the significant amount of drug trafficking and criminal activity that took place around the five clinics, the efforts of patients who are seeking rehabilitation and the clinic personnel who serve them are significantly undermined. (GAO-04-946T)

3.52.C. Transforming and Modernizing the Accountability Profession: Building on the high standards of independence in auditing set forth in our *Government Auditing Standards*—popularly known as the Yellow Book—we are continuing to foster the transformation of the accountability profession. We are working closely with the Public Company Accounting Oversight Board and other standard setters to promote and communicate the major accountability reforms required by the Sarbanes-Oxley Act and to consider the important prin-

ciples of those reforms and how they can be applied to improve accountability in governmental and other types of entities. Our staff experts have spoken on these topics before hundreds of forums and conferences, reaching thousands of state, local, federal, and international government and private sector accountability professionals. These efforts and others we have taken to promote important principle-based changes and discussions about the future direction of the profession are vital to safeguarding taxpayer and investor interests. (Based on coordination efforts and continual work)

3.53.C. Establishing an Auditing Standards Coordinating Forum: The Comptroller General has established the U.S. Auditing Standards Coordinating Forum whose members include GAO, the Public Company Accounting Oversight Board, and the American Institute of Certified Public Accountants' Auditing Standards Board to help coordinate the various bodies responsible for setting standards that apply to auditing all types of entities in the United States, including governmental entities, publicly traded and privately held companies, and not-for-profit organizations. The forum's objectives are to ensure consistency in core U.S. auditing standards, where appropriate; identify gaps in standards; minimize duplicative efforts; and modernize the accounting profession. The results are already evident in cooperation and coordination on current reforms, the current development of new standards, and dialog on important emerging challenges, including the harmonization and convergence of U.S. and international standards. With a commitment to advancing the clarity, integrity, and consistency of auditing standards, the U.S. Auditing Standards Coordinating Forum is furthering the goals of accountability in the public interest. (Based on coordination efforts and continual work)

3.54.C. Alerting the Congress to Fraud, Waste, and Improper Payments Related to DOD's Travel Cards: We reported that a weak control environment and breakdowns in key controls over DOD's centrally billed travel accounts led to millions of dollars wasted on unused airline tickets, reimbursements to travelers for improper and potentially fraudulent airline ticket claims, and issuance of airline tickets based on invalid travel orders. For example, we identified 58,000 airline tickets—primarily purchased in fiscal years 2001 and 2002—with a residual value of more than $21 million that were unused and not refunded as of October 2003. After examining limited airline data, we determined that the potential magnitude of DOD's unused tickets might total more than $100 million since 1997. DOD concurred with our recommendations to improve controls, including moving to a well-managed individually billed account program. DOD has taken action to attempt to recover the value of the unused tickets that were not refunded and has recovered more than half of the $100,000 in improper payments that we identified. (GAO-04-398, GAO-04-576, and GAO-04-825T)

Analyze the Government's Fiscal Position and Strengthen Approaches for Addressing the Current and Projected Fiscal Gap

3.55.C. Helping Measure the Tax Gap: We have played a pivotal role in IRS's development of a new program to identify the nature and causes of taxpayer noncompliance—key information needed to help IRS reduce the $311 billion annual tax gap. The tax gap is the difference between taxes owed and what taxpayers voluntarily and timely pay. In reports and testimonies dating back to the early 1990s, along with numerous discussions with senior administration and congressional officials, we encouraged IRS to develop and the Congress to support research that balances the competing demands of providing sound information without unduly burdening taxpayers. IRS now has under way the first iteration of the National Research Program, a research effort that we concluded is likely to meet these demands. The first reliable information since the early 1990s on individual taxpayers' compliance will soon be in the hands of IRS researchers and enforcement personnel. (GAO/GGD-93-52, GAO/GGD-95-39, GAO/T-GGD-95-207, GAO/GGD-95-199R, GAO/GGD-96-21, GAO/GGD-96-89, GAO-01-535, GAO-02-769, and GAO-03-614)

3.56.C. Enforcing Charitable Contribution Rules: In reviewing vehicle donations to charities, we found examples of taxpayers claiming deductions that far exceeded the actual proceeds to the charities. After the release of our report, the Con-

gress introduced legislation to require more substantial documentation of claimed deductions, including a better link to the actual value of the vehicle to the receiving charity. Treasury also proposed legislation intended to ensure taxpayers claim appropriate values for their donated vehicles. (GAO-04-73)

3.57.C. Governmentwide Actions to Manage Improper Payments: We informed congressional deliberations in passing the Improper Payments Information Act of 2002 and influenced related OMB initiatives. Cumulatively, these efforts establish for the first time governmentwide expectations that agencies will take efforts to measure and report improper payments. Public acknowledgement of the extent of these weaknesses and related requirements to identify and resolve the causes offers substantial promise that payment controls will be improved. While this is a long-term effort, OMB has reported expectations of substantial savings and benefits to the taxpayer while ensuring that government payments are made as intended. (GAO-04-99 and GAO-04-631T)

3.58.C. Alerting the Congress to Abusive Tax Shelters and Schemes: We reported this year on abusive tax shelters and schemes, which represent a significant threat to the country's tax system. Not only do these shelters and schemes reduce tax revenues, they also threaten to erode public confidence in the tax system, leading compliant taxpayers to believe that the system is unfair. As the Congress considered legislation this year to curb abusive tax shelters and schemes, we contributed to the debate, in part by providing information on the nature of the problems and the challenges faced by IRS in combating them. (GAO-04-50 and GAO-04-104T)

3.59.C. Comparing Reported Tax Liabilities of Foreign- and U.S.-Controlled Corporations: We contributed to the congressional debate over tax policy and the impact of foreign ownership, including the debate over pending corporate tax legislation, by comparing reported tax liabilities of foreign-controlled corporations with those of U.S.-controlled corporations. Our comparison showed that the tax liabilities of these types of corporations varied depending on the measure. A majority of all corporations reported no tax liabilities during the years 1996 through 2000, with a higher percentage of foreign-controlled corporations doing so than U.S.-controlled corporations. However, the results were reversed for large corporations. Also, for all corporations and for large corporations in particular, foreign-controlled corporations reported a lower amount of tax liability per $1,000 in gross receipts than U.S.-controlled corporations. (GAO-04-358)

3.60.C. Identifying Unintended Tax Consequences for Some Combat-Deployed Service Members: We identified how some low income-earning members who serve in a combat zone are worse off for tax purposes because of the interaction between the combat zone exclusion and the earned income and child tax credits. We suggested that the Congress consider revising the rules of the credits to remedy the tax consequences associated with the combat zone exclusion, and legislation was introduced to address the tax credit rules for computing the earned income and child tax credits. This bill will allow military personnel in combat zones to include combat pay when calculating their earned income and child tax credits. Thus, it will allow military personnel to continue to receive the combat zone exclusion along with other tax credits that members may be eligible to receive. As of the end of fiscal year 2004, the Working Families Tax Relief Act of 2004, which included this legislation, was awaiting the President's signature. (GAO-04-721R)

3.61.C. Providing the Congress Insight on DOD's Financial and Business Management Transformation Challenges: DOD's substantial financial and business management weaknesses adversely affect its ability to produce auditable financial statements and to provide timely, reliable information for management and the Congress to use in making informed decisions. They also hinder operational efficiency; adversely affect mission performance; and leave DOD vulnerable to fraud, waste, and abuse. Our work within various DOD business process areas, such as logistics, finance and accounting, travel, and military pay and our work pertaining to DOD's enterprise architecture and business system modernization efforts provided the basis for two congressional testimonies on the condition of DOD business operations, the underlying causes of DOD business transformation challenges, key elements of successful reform, and the status of selected DOD reform efforts. To further improve the likelihood of meaningful, broad-based financial management and related business reform

at DOD, we highlighted two suggestions for legislative consideration. First, we suggested that a senior management position be established to spearhead DOD-wide business transformation efforts. Second, we proposed that the leaders of DOD's functional areas, referred to as domains, receive and control the funding for system investments, as opposed to the military services. Domain leaders would be responsible for managing business system and process reform efforts within their business areas and would be accountable to the new senior management official for ensuring their efforts comply with DOD's business enterprise architecture. (GAO-04-551T and GAO-04-626T)

3.62.C. Auditing the U.S. Government's Financial Statements: As in the past 6 fiscal years, we were again unable to express an opinion on the U.S. government's consolidated financial statements because of ongoing material weaknesses in internal control and accounting and reporting issues. However, our efforts are contributing to significant improvements in (1) the reliability and accuracy of the information contained in the U.S. government's consolidated financial statements, (2) the quality of financial statement audits being performed by agencies' Offices of Inspectors General, and (3) addressing one of the major impediments to an opinion on the consolidated financial statements related to accounting for billions of dollars of transactions between federal government entities. For example, our work again identified numerous material inaccuracies in amounts presented and descriptive information contained in the consolidated financial statements that, if not corrected, could be misleading to readers. In addition, acting on our suggestions, agency auditors have improved their audit procedures, thereby enhancing our ability to use their work in fulfilling our responsibilities as principal auditor of the U.S. government's consolidated financial statements and improving the quality of the federal government's financial management and reporting. (GAO-04-477T and GAO-04-886T)

3.63.C. Helping Decision Makers Understand the Federal Government's Long-Term Fiscal Imbalance: We continued this year to call attention to the federal government's long-term fiscal health and the need for greater transparency about the nation's finances. As the baby boom generation retires, federal spending on retirement and health programs—Social Security, Medicare, and Medicaid—will grow dramatically. Additionally, a range of other federal fiscal commitments, some explicit and some representing implicit public expectations, also bind the nation's fiscal future. Absent policy change, a growing imbalance between expected federal spending and tax revenue could mean escalating and ultimately unsustainable federal deficits and debt. We have put forth a three-pronged approach to begin addressing this fiscal gap and called for changes to the federal government's accounting practices and budget processes. In concert with those of other budget experts, our efforts have raised awareness and increased understanding of the nature and magnitude of the long-term fiscal challenge (GAO-04-38, GAO-04-477T, GAO-04-485SP, and GAO-04-886T)

Strategic Goal 4

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

Source: See Image Sources.

Continuously Improve Client and Customer Satisfaction and Stakeholder Relationships

4.1.C. Strengthening Communication with our Congressional Clients: To obtain information on client needs, the Comptroller General and the Managing Director of Congressional Relations met with all targeted key committees and leadership staff of the 108th Congress. We also refined the protocols governing our work for the Congress and issued the updated "GAO's Congressional Protocols" in July 2004. The revisions in the new version of the protocols reflect feedback we received from members of the Congress and their staffs. The congressional protocols continue to provide a means of holding us accountable for our commitments to the Congress and for ensuring that we are consistent in all our dealings with committees and members. (Based on internal activities)

4.2.C. Measuring Congressional Satisfaction with Our Work: We increased the number of client feedback survey recipients to include the staffs of all congressional committees and individual offices that requested work resulting in a product involving a high resource investment, an area of high interest, or testimony, to ensure that all cognizant committees and offices have an opportunity to register their satisfaction with the quality of these products. We shortened the time between issuance of a product and the survey request, which resulted in increased client response rate and positive client satisfaction scores. (Based on internal activities)

4.3.C. Developing Options for Electronic Dissemination: To communicate our work results more effectively and efficiently, we began a pilot to determine the feasibility of disseminating our reports in an electronic format, rather than printed format. We also developed a new report option—e-supplements—for Web-based surveys, which may be especially appropriate for our work involving state and local governments. This should enable our congressional clients to obtain data for their areas of interest at the state and local levels. Other efforts to improve the availability of our results information include implementing electronic posting of surveys conducted in support of our reports and the question-by-question results and revising our process for posting full product information—the report abstract, subject terms, and open recommendations—on our external Web site, thereby reducing the posting time from over 3.5 days to 1.7 days. (Based on internal activities)

4.4.C. Assessing Internal Customer Satisfaction with Our Services and Processes: We developed and deployed our first-ever customer satisfaction survey to obtain employee feedback on all critical internal operations and services. The survey helped us to identify customer concerns and determine the gaps between customer expectations and service provided. As a result of the survey, we implemented a major remote access upgrade providing staff stable, secure, and reliable remote network access through a variety of devices including digital subscriber lines and cable modems; upgraded and simplified the Travel Manager system; improved building facilities; and improved our Web-based time and attendance system and meeting room booking system, adding features and making them more user friendly. We will use the results of the next customer satisfaction

survey in November 2004 to measure the impact of our improvement efforts, refine our targets, and make necessary adjustments to improve service and reduce the gap between customer expectations and the service provided. In conjunction with the customer survey, we developed a Chief Administrative Office (CAO) balanced scorecard based on the analysis of survey responses. The balanced scorecard sets targets and priorities for CAO initiatives and links to our agencywide set of balanced performance measures. (Based on internal activities)

4.5.C. Assessing GAO Staff Views on Overall Operations and the Work Environment: We deployed our confidential Employee Feedback Survey in July 2004—the fourth such survey since 1999. With a very high 83 percent response rate, the overall ratings, as well as the ratings for all four of our "people measures," increased over last year's scores. Those measures, part of our overall performance measures, will also be used to determine our standing in the Partnership for Public Service's survey of "Best Places to Work in the Federal Government." (Based on internal activities)

4.6.C. Strengthening Relationships with Our Stakeholders and Increasing the Accessibility of Our Products: We continued our work to develop and issue international protocols to strengthen our relationships with our stakeholders in the international community. We have incorporated comments on the draft protocols and are planning release of a 1-year pilot in early fiscal year 2005. We also continued our efforts to increase the accessibility of our products in fiscal year 2004, completing the project to scan all Comptroller General Decisions and post them on our external Web site. As a result, over 14,000 documents are now available online to our client and the public. We now have over 100,000 e-mail subscriptions to our products. We also posted a new electronic version of the third edition of Volume 1, *Principles of Federal Appropriations Law*, commonly known as the Red Book. This new version includes links to many of the GAO decisions cited in the Red Book and provides links between volume 1 and its companion index and table of authorities. (Based on internal activities)

4.7.C. Achieving External Recognition: One way that we determine the quality of our products is to seek feedback on them from outside entities. During fiscal year 2004, our products received awards from the National Association of Government Communicators' 2003 Blue Pencil/Gold Screen awards competition, which recognizes outstanding print and electronic products produced by federal, state, and local government agencies. Specifically, we received first place in the category of public relations videos; second place in the category of public affairs for the video "Transformation," featuring Comptroller General Walker discussing the need for government to change the way it does business to meet new and emerging challenges; and an excellence award in the category of brochures produced in-house for "About GAO," a new brochure introducing the U.S. Government Accountability Office. (Based on internal activities)

Lead Strategically to Achieve Enhanced Results

4.8.C. Integrating Planning, Budgeting, and Performance Measurement: In fiscal year 2004, we identified and implemented improvements in integrating our planning, budgeting, and performance measurement activities, including issuing the performance plan following issuance of the strategic plan so that it reflected the revisions of the strategic plan and submitting an enhanced and streamlined fiscal year 2005 performance budget that integrated and recapped highlights of our strategic plan, our fiscal year 2003 Performance and Accountability Report, fiscal year 2005 and 2006 workforce plans, and unit program information. In November 2003, we established and met an accelerated deadline for issuing the fiscal year 2003 Performance and Accountability Report. We received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for our 2003 Performance and Accountability Report. In May 2004, we issued the fiscal year 2005 performance plan, which included a more balanced set of performance measures and, for the first time, set fiscal year 2005 performance targets for the measures related to how we manage people. (Based on internal activities)

4.9.C. Improving Our Strategic and Budget Planning Processes: We took steps this year to improve and streamline our strategic planning process. Under this revised process, the plan will be

updated every 3 years, and a newly created strategic planning and monitoring group will meet regularly both to oversee the planning process and to identify major changes that should be highlighted in the plan updates. Although the strategic plan will be updated less frequently under this proposal, there are strategies and means to ensure that our work continues to reflect key, emerging issues and that modifications to our planned work are communicated to the Congress and the public in a timely manner. We also strengthened our budget planning process, established an Investment Committee to evaluate and prioritize budget requirements, and restructured the budget/investment process to more closely evaluate the budget baseline and provide more programmatic information in response to management needs and a congressional mandate. (Based on internal activities)

4.10.C. Strengthening Our Strategic Human Capital Management: During fiscal year 2004, we continued to make significant improvements in our human capital management. Provisions in the newly enacted Human Capital Reform Act of 2004 provide us a number of human capital tools and flexibilities that better position the agency to service the Congress. These provisions include decoupling us from the general across-the-board pay adjustments applicable to most of the executive branch; amending pay retention rules for employees demoted as a result of workforce restructurings, reclassification, or other action; and creating an executive exchange program with the private sector. The legislation makes permanent our authority to offer voluntary early retirement opportunities and voluntary separation payments (buy-outs), provides greater flexibility for reimbursing employees for relocation benefits, and allows certain employees and officers with less than 3 years of federal service to earn increased amounts of annual leave. Finally, and most visibly, the bill changes our name to the Government Accountability Office to better reflect the modern professional services organization that we have become. Our human capital strategic planning efforts were capped by the completion of *GAO: The Human Capital Strategic Plan, Fiscal Years 2004-2006*, focusing on key efforts with corresponding expected outcomes, measures, and specific initiatives for our four human capital cornerstones: leadership; strategic human capital planning; acquiring, developing, and retaining talent; and creating a results-oriented organizational climate. (Based on internal activities)

4.11.C. Retaining and Attracting Staff: To improve the development and effective utilization of mission staff and our prospects for staff retention, we formed task teams to identify staffing methods and systems. The task teams have proposed solutions for implementation during fiscal year 2005 to modify and strengthen various institutional issues in support of staffing. In addition, to enhance our ability to effectively anticipate and secure an adequate supply of talent for current and future needs, we expanded the use of the Academic Achievement Program; increased the number internships; provided workshops for interns on the hiring process for permanent positions; used direct hire, short-term, and time-limited appointing authorities; and established baseline recruitment reporting data to assist in measuring the effectiveness of our entry-level recruitment program. (Based on internal activities)

4.12.C. Refining Performance Management: We instituted several major initiatives in performance management. We made improvements to the analysts' competency-based performance system based on feedback from our managing directors and the Employee Advisory Council including shortening the processing time for appraisals, pay, and promotion decisions; decoupling appraisal feedback from pay and best-qualified feedback; and developing a plan to replace pay categories with individualized pay decisions. On June 1, 2004, we implemented the new competency-based appraisal system for our administrative and professional support staff, ensuring that all our staff are covered by modern performance management systems that establish a clear link between employee performance and GAO's mission, core values, and strategic objectives. In addition, we converted all administrative and professional support staff to a broadband pay system and began the first year of performance-based pay. With completion of this effort we have met our goal to have all communities of our staff covered by modern human capital systems. We also initiated several improvements based on our customer satisfaction survey feedback including distributing fewer, more succinct, and more timely communications on appraisal, pay, and promotions; restructuring the performance manage-

ment Web site; and creating a guide for managing directors on how to access and use statistical reports containing staff appraisal, compensation, feedback, and promotion data. (Based on internal activities)

4.13.C. Enhancing Our Classification and Compensation Systems: We began an initiative in fiscal year 2004, the Classification and Compensation Review, to ensure that our classification and compensation systems are reasonable, competitive, credible, equitable, affordable, sustainable, and non-disriminatory in nature. Our consultant on this complex and controversial internal human capital project is also considering ways to make the systems more performance-based and is taking into consideration market data for comparable positions in organizations with which we compete for talent. (Based on internal activities)

4.14.C. Enhancing Opportunities for Training: In the training area, we developed 14 new courses as part of our competency-driven curriculum and initiated a leadership development program to address the needs of new supervisors. We also provided our staff "just-in-time" access to learning through over 900 courses and almost 60 skill simulations available online—from work or home, any time of day. We implemented training related to the policy manual update for all staff; integrated training related to generally accepted government auditing standards (GAGAS) and the Quality Assurance Framework into the curriculum required for new hires and summer interns; established electronic links between the framework and available training courses; and modified our training program for delivering testimony, based on client feedback survey responses. We also implemented online learning technology including Web-based training programs and deployment of courses via desktop video and the intranet, to provide flexibility for staff and cost savings for the agency in training delivery and completion. Finally, we initiated online evaluation of training classes and self-certification of completed training in April 2004. Eliminating contractor support to key records of completed training has saved us $40,800 this fiscal year, and the annual savings in following years will be $81,600. In addition, at least one staff year is saved through the elimination of numerous manual tasks and storage requirements for forms and data were reduced. (Based on internal activities)

4.15.C. Ensuring Exemplary Practices and Systems in Our Fiscal Operations: Our financial statements, included in the fiscal year 2003 Performance and Accountability Report, received a clean opinion from the fiscal year 2003 audit. We conducted internal reviews of our compliance with Financial Integrity Act and OMB Circular A-127, Federal Managers' Financial Management Systems, requirements. The A-127 review covered budget preparation, documentation, and internal controls. The Financial Integrity Act review covered payroll testing; time and attendance procedures; Human Capital Office personnel files operations; our vendor contracts; the credit card program; and internal controls for purchases, payment, and employee reimbursements. There are no material internal control weaknesses to report, which supports management's assertion that our internal controls are proper and functioning well. (Based on internal activities)

4.16.C. Implementing an Integrated Asset Management System: In the area of asset management, we implemented a new integrated asset management system that meets audit guideline standards in accounting for our physical assets and strengthens our practices in managing them. The new system also improves our reporting and accountability capability and makes more efficient use of our human resources. (Based on internal activities)

4.17.C. Strengthening IT Governance Practices and Processes: To provide a road map for technology initiatives and ensure they are fully aligned with and enable achievement of our strategic and business goals, we revised our IT plan during this fiscal year. The updated plan focuses on the following guiding principles: lead by example, facilitate and improve client service, enhance network connectivity, promote effectiveness and efficiency, ensure IT reliability, and exercise vigilance in IT security. The plan was published and implemented in June 2004. In recognition of its strategic IT approach, we were selected by *CIO Magazine* as a winner of the CIO 100 Award for Agility, for demonstrating a strategic business model that helps execute more than 1,000 engagements, resulting in significant financial benefits to taxpayers. This is the second year in a row that *CIO Magazine* recognized us as a model in IT leadership. (Based on internal activities)

Leverage GAO's Institutional Knowledge and Experience

4.18.C. Maximizing the Collection, Use, and Retention of Essential Organizational Knowledge: In fiscal year 2004 we organized and inventoried our legislative history collection, which resulted in a master set of the histories to be transferred to the National Archives and Records Administration, and a reference set for use in GAO. We also created an online database for use in accessing these records. Similar projects are under way for our collection of GAO-produced videos and for our microfiche collection of our reports. To increase public awareness of our work, we facilitated hundreds of broadcast and print interviews with our senior executives as well as nearly two dozen editorial board meetings for the Comptroller General with major U.S. newspapers and news services. We also arranged to publish a number of his articles and speeches in magazines and newspapers, including his National Press Club speech on the nation's fiscal imbalance. (Based on internal activities)

4.19.C. Increasing Our Knowledge Sharing Capability: We launched a new course entitled Library Resources in March 2004 to enhance our staff's ability to access our library resources and services. We redesigned the gao.gov Web site to enhance usability and facilitate access to our information products and services. This new design, launched on June 29, 2004, is more flexible and will be easier to modify when necessary. Users are more easily able to find a report or information on a particular topic because of the improved look, feel, navigation, and search capabilities of the site. According to the latest e-government satisfaction scores reported by the American Customer Satisfaction Index, our Web site achieved one of the largest increases during the quarter of any of the government Web sites listed, which was attributed to our Web site redesign. (Based on internal activities)

4.20.C. Enhancing Knowledge Sharing with Other National and International Accountability and Professional Organizations: We convened a number of forums, symposia, and other meetings to provide opportunities for an exchange of knowledge between accountability and professional organizations. This year, five Comptroller General Forums, were held, and the speakers' series Conversations on 21st Century Challenges brought six distinguished leaders to GAO to explore issues affecting the United States and its place in the world. In addition, the Domestic Working Group is collaborating on four projects (access to records, governance, long-term fiscal challenges, and grants management), the Partnership for Public Service is assisting on several engagements, and our teams and the states' auditors continue to collaborate on common issues and concerns. Internationally, we chaired the 10-nation task force that developed the first strategic plan for the International Organization of Supreme Audit Institutions (INTOSAI). The 5-year plan, unanimously endorsed by the INTOSAI Governing Board, provides a blueprint for a major transformation of INTOSAI and a structure and rationale that will facilitate the member organization's strategic engagement in INTOSAI in a way that maximizes contributions while minimizing resources allocated. Nationally, we led the effort to develop the first-ever strategic plan for the National Intergovernmental Audit Forum. The strategic plan framework was adopted by the forum and will help maximize the organization's effectiveness in promoting good government and accountability at all levels of government. (Based on internal activities)

Continuously Enhance GAO's Business and Management Processes

4.21.C. Improving Engagement Support Services: We developed new tools to increase analysts' awareness of engagement requirements, including a template checklist for use in researching a new engagement that provides a general guide to sources as well as a record of sources checked and an Excel program for organizing literature search results that allows greater efficiency in identifying and retrieving relevant information. We improved the audit tools that support engagements by implementing a Quality Assurance Framework to provide reasonable assurance that our work is professional, independent (in fact and appearance), and objectively designed; our evidence is competent and reliable; our conclusions are supported; our products are fair and balanced; and our recommendations are sound. We revised our policy manual to mirror

this framework, to identify GAGAS on which our policies are based, and to define the key responsibilities of our staff. We then revised the online Electronic Assistance Guide for Leading Engagements (EAGLE) to incorporate the framework, the policy manual, and the auditing standards. Finally, we updated the Audit Documentation Set to clearly identify the questions that need to be answered to be GAGAS compliant, and electronically integrated all of these references by providing fully searchable online versions of our intranet. (Based on internal activities)

4.22.C. Updating Our Weapons System Database: We updated our Weapons Systems Database to greatly enhance and expand on the system's reporting capabilities, which provided automated production of the Budget Justification Fact Sheet and accomplishment tracking for staff in our Acquisition and Sourcing Management team. The fact sheet provides pertinent and timely information that the Congress can use during budget deliberations and demonstrates budget consequences that congressional committees can cite as support for actions such as rescissions, restrictions, realignments, or reductions. The accomplishment tracking capability allows staff to track our recommendations to the Congress and the actions of the major congressional committees in response to those recommendations. This database—which currently contains data on weapons systems with associated funding of $1.24 trillion—has become the Congress's primary source of annual evaluations of DOD acquisitions, including trend analyses, and has resulted in our staff being able to increase their productivity on weapons system reviews by 410 percent. (Based on internal activities)

4.23.C. Initiating Process Improvement: In the area of process improvement, we launched a Web-based customer satisfaction survey to obtain feedback from analysts about services provided by our four Product Assistance Groups so that we can identify where changes may be needed in the report production process; opened a new Imaging Center to provide scanning services to staff and facilitate our move to electronic workpapers; reorganized and streamlined our personnel security investigation process to reduce the time required to grant clearances for our staff; reengineered our exit process for employees separating from GAO to streamline the process and make it more user-friendly for the employee, yet still ensure that accountable property is returned, and indebtedness is cleared; and revised the guidance in our EAGLE Web site concerning our streamlined mission team procurement review and approval process. In addition, the Applied Research and Methods team's Web site for the National Academy of Sciences task order was modified to describe the Engagement Review Meeting review process for mission procurements. In fiscal year 2004 we decided to phase out our in-house print plant operations, because of increased availability of our products through electronic publication, as well as the savings to be realized. We will be completing that goal very early in fiscal year 2005. (Based on internal activities)

4.24.C. Using Enabling Technology to Improve Our Crosscutting Business Processes: We implemented numerous initiatives in fiscal year 2004 that resulted in more efficient processes and cost savings for the agency. The agency moved to full implementation of Travel Manager in January 2004, replacing our previous paper-driven process with an efficient electronic process that also provides real-time travel budget tracking information. We also completed implementation of WebTA, improving controls, streamlining processes, reducing errors for the time and attendance function throughout the entire agency, and providing $40,700 savings in fiscal year 2004 contract labor costs due to the reduction in data entry services needed. We anticipate continued substantial annual contractor cost savings. We provided a major update and some additional reporting enhancements to GC Track, our in-house application that tracks and accesses General Counsel work by goal, team, and attorney. These improvements increased search and reporting capabilities, and eliminated rekeying of documents by providing the ability to link documents using DM5, our document management system. (Based on internal activities)

4.25.C. Using Web-Based Technology to Improve or Replace Existing Systems: On October 1, 2004, we launched the new Congressional Contact System. Using this system, our staff enter and track planned and actual contacts that we have with members of the Congress, congressional committees, and congressional staff. This automated system has reduced current process steps by two-thirds. We replaced the outdated database for tracking credit card purchases and blanket purchase

orders with an up-to-date, user-friendly, Web-based tracking system. To support and integrate the human capital transaction processing, position management, and awards processing functions, we implemented a Web-based front end to the National Finance Center personnel/payroll system, known as HRIS. This will result in improved data accuracy and timeliness, optimization of human capital processes and resources, a reduction in administrative costs and staff time, and the capability for customized and real-time reports. We also redesigned our Human Capital Office Web site to improve access to the vast array of human capital information for agency employees. Its user-friendly design mirrors our new external Web site design and is already serving as a model for other internal Web sites under development. Finally, we made several improvements to our network capabilities, increasing the connectivity and bandwidth to provide more direct and faster communications, and preparing the network for future implementations of voice, data, and video applications. (Based on internal activities)

Become a Professional Services Employer of Choice

4.26.C. Promoting an Environment That Is Fair and Unbiased and That Values Opportunity and Inclusiveness: We implemented several policy recommendations this year to ensure a fair and unbiased work environment. In the performance management area, we now require management review when supervisors and staff disagree on the staff's rating and allow staff to attach formal responses to counseling memos on file. We also met with team management officials during the fourth quarter to emphasize the importance of preparing annual assessments consistent with the agency's guidance. In the area of recruitment and promotions, we modified requirements and procedures to improve representation in the application and selection process. To ensure equitability in our telework program, under which employees can work from their homes, we examined and revised our guidance for the decision-making process. We also achieved improvements to information access and communication for our deaf community by installing connections to permit closed captioning on cable programs and by providing Blackberry devices to deaf employees. Finally, our Office of Opportunity and Inclusiveness delivered a presentation on safeguards in performance management at the 19th Annual Federal Dispute Resolution Conference in August 2004. This presentation provided a model for human capital reviews of performance appraisal decisions, pay determinations, promotions, awards, hiring, and recruitment for the conference participants from more than 30 federal agencies. (Based on internal activities)

4.27.C. Promoting Diversity: Our Asian American Liaison Group has worked to raise awareness about diversity in our organization at all levels. Among the activities the group has been involved with this year are assisting with recruitment of qualified applicants at two major Asian American federal employee conferences; facilitating discussions between our Asian American interns and our Asian American senior executives; launching an informal network to link the group's senior managers with our field office members; and initiating a research project to update prior reports on the status of Asian American employees. (Based on internal activities)

4.28.C. Upgrading Tools and Technology: We implemented several upgrades to provide our staff with enhanced tools and capabilities, as well as reliability of equipment and systems. We upgraded our shredding equipment to meet a DOD requirement and ensure our staff's continued ability to obtain classified information for engagements. We also upgraded the mice and keyboards for all staff to provide additional functionality and special features, and replaced all 3,800 of the expiring SecurIDs that provide computer access, efficiently and without disruption to our customers. We have realized an annual operating cost savings of $140,000 for the first time this fiscal year, related to the purchase of flat panel monitors for all of our staff last fiscal year. The savings is due to the reduction in energy required by the new monitors. We also converted the IT team's staffing and individual development plan applications to a Web-based application; implemented more stable, secure, and reliable remote access to our network using a wide range of devices, such as digital subscriber lines and cable modems; upgraded our e-mail system and the Atlanta telephone system; and doubled the field office videoconferencing capability. To enhance our disaster recovery capabilities and provide a more efficient method for processing backups, we established a central storage facility for data stored from

our network. To ensure that our staff have the most current software patches installed, we implemented an automatic patch delivery system that causes minimal disruption to our customers. Finally, we conducted 30 open door learning sessions designed to inform and educate staff about newly introduced or upgraded network tools, and provide our staff with the opportunity to ask IT-related questions. (Based on internal activities)

4.29.C. Providing a World-Class Working Environment: To meet our goal of providing a world-class working environment, we accomplished a large number of staff moves related to organizational realignments. In conjunction with a relocation of over 1,000 staff, we added telephone and network connections to the renovated space prior to the relocation. We also negotiated the move of the Senate Employees Credit Union into larger, more user-friendly space in the building. (Based on internal activities)

4.30.C. Ensuring the Security of Our IT Systems: To help ensure the security of our IT systems, we updated our order on information systems security policies, conducted mandatory training for all staff on computer security as required by the E-Government Act of 2002, held our fourth annual security fair to increase awareness of security issues at work and at home, installed software to control spam, and improved the security of our infrastructure by adding switches with firewalls in our local area network operations center. As part of our long-term IT plan, we converted thousands of paper Official Personnel Folders to electronic versions that can be stored off-site for disaster recovery. We also conducted two disaster recovery tests this fiscal year, the first in December 2003, and the second in August 2004. We used the data from the first test to identify weaknesses and implement improvements in existing operations, and during the second test these fixes were thoroughly checked. Several additional operations or systems were tested as well, such as the use of BlackBerry devices for contacting designated managers, and the ability to restore a document in process. Finally, we became one of the first federal agencies to obtain diverse pathway fiber optic cabling, which provides the most reliable means of maintaining circuit continuity for our telecommunications system. (Based on internal activities)

4.31.C. Providing a Safe and Secure Workplace: In the area of physical security we developed and approved a plan to reengineer our processes in personnel security; expanded our Security Clearance Tracking System to track and provide data on the clearance process; modified our Security Services Contract to upgrade qualifications of the security force and to add a position to provide more technical expertise; completed a risk assessment of our mail room and made recommendations; and updated our Shelter in Place Plan, Emergency Response Handbook, and Continuity-of-Operations Plan. In addition, we are well on our way to upgrading our external and internal physical security systems. The perimeter security wall in under construction, and features of the new access control intrusion detection system have been determined such as turnstiles, intrusion detection system, smart card credentials, digital closed circuit television, integration with our field offices, and a new emergency operations center. (Based on internal activities)

4.32.C. Updating Our Agency Awards Policy: After extensive study by a matrixed awards team, we updated our agency awards policy to better ensure a cost-effective and transparent awards and recognition program. Our revised order established a hierarchy of mechanisms for rewarding staff for outstanding performance; added a monetary component to our annual honor awards; eliminated career service gifts; increased the dollar limits for team/unit annual and spot awards; established team budgets for time-off awards and limited the number of hours any individual can be awarded per year to 40; clarified the types of spot gift awards that can be given with managing director approval; and established a program to reward employees who use frequent flyer benefits for official travel resulting in savings to GAO. (Based on internal activities)

4.33.C. Expanding Our Telework Program: We led by example in fiscal year 2004 by expanding our telework policies to implement best practices that were included in our Strategic Issues team's report—see *Human Capital: Further Guidance, Assistance, and Coordination Can Improve Federal Telework Efforts* (GAO-03-679, July 18, 2003). The new policies provide for greater consistency and accountability in management of the program that we believe will encourage greater use of telework by our staff. Over 18 percent of our employees now

telework in some fashion, either under a continuing arrangement or on a short-term basis to accommodate special needs or circumstances. (Based on internal activities)

4.34.C. Extending Our Student Loan Program: We expanded our student loan program this year, increasing the number of loans for which we provided some payment by increasing the amount budgeted from $945,000 in fiscal year 2003 to $1,154,000. (Based on internal activities)

4.35.C. Improving the Development and Experiences of Newly Hired Staff: We enhanced and modified our Professional Development Program (PDP) processes, procedures, oversight, and management to improve development and experiences of newly hired staff and increase their job satisfaction and retention. To assist our PDP staff we updated the New Hire Training course with information on staff utilization; provided information packets for new hires and their supervisors; disseminated information on career development opportunities through a newsletter, our Web site, and e-mails; extended the time available at headquarters for field PDP staff to pursue additional developmental opportunities; trained five new PDP advisors; and instituted meetings between PDP staff and our senior managers to communicate issues relevant to newly hired analysts with outside experience. In addition, we developed and implemented a system that provides information to assist in managing staff levels and full-time equivalent positions GAO-wide and enhances our ability to effectively match staff to teams where they will have the greatest opportunities to contribute. We also provided additional guidance to our PDP advisors in the form of an expectation setting checklist, guidelines on staff utilization, and an updated PDP Advisor Manual. We continued to standardize and improve our processes by aligning the PDP permanent placement process with the workforce planning effort, initiating use of Performance Review Group performance categories, standardizing PDP rater and reviewer functions, and codifying our processes and procedures into our program policy guidance. Finally, to improve program oversight and management, we documented our PDP Management Information System processes and procedures, created a system user's manual, and integrated headquarters and field data to provide consistency and effective reports. (Based on internal activities, no report)

2. From the Inspector General

GAO
Accountability * Integrity * Reliability

Memorandum

Date: October 15, 2004

To: Comptroller General

From: Inspector General – Frances Garcia

Subject: Management Challenges

We have examined management's assessment of the management challenges. Based on our work and institutional knowledge, we agree that human capital, physical security, and information security are the management challenges that may affect our performance. We are in agreement with management's assessment of progress made in addressing these challenges.

In addition, we reviewed all fiscal 2004 accomplishment reports claiming financial benefits of $500 million or more and found that GAO has a reasonable basis for claiming these benefits. We also tested the procedures and methodologies used to calculate the new performance measures related to GAO's management of people and found them to be reasonable.

3. GAO's Report on Personnel Flexibilities

The GAO Personnel Flexibilities Act of 2000 (Pub. L. No. 106-303) and the GAO Human Capital Reform Act of 2004 (Pub. L. No. 108-271) require us to provide a review of the actions we have taken in fiscal year 2004 under specific sections of these acts. This appendix details the activities we have undertaken separately for each act. As required by the 2004 act, we plan to provide a separate report on our implementation of that act in July 2005.

GAO Personnel Flexibilities Act of 2000

Section 1 of this act provided us with temporary authority to offer voluntary early retirement opportunities to our employees in order to realign our workforce, meet budgetary constraints or mission needs, correct skill imbalances, and reduce high-graded positions. This authority, which expired on December 31, 2003, was made permanent by the 2004 act. Two voluntary retirement opportunities affected our workforce in fiscal year 2004. The first opportunity was made under the 2000 act and was open for application from June 26, 2003, to August 16, 2003. Approved applicants were required to retire between September 1, 2003, and October 31, 2003. Of the 16 applications that were received, 1 was disapproved, and 4 of the 15 approved applicants decided not to retire. Of the 11 individuals who accepted the opportunity, 2 retired in fiscal year 2003 and 9 in fiscal year 2004. The second opportunity was made under the 2004 act and is discussed below. We have found this authority to be very helpful in reshaping our workforce by reducing the number of our high-graded managers and replacing many of them with entry-level and midlevel hires who bring a range of skills and knowledge that will allow us to continue to accomplish our mission and serve the needs of the Congress and American people for many years to come.

Under section 2 of the 2000 act, we were given temporary authority to offer voluntary separation payments of up to $25,000 to employees for the purpose of realigning the workforce to meet budgetary constraints or mission needs, correct skill imbalances, or reduce high-graded positions. This authority, which, like the voluntary early retirement authority, expired on December 31, 2003, was also made permanent by the 2004 act. We did not use this authority in fiscal year 2004. Unlike the early retirement authority provision, this provision requires us to make the payment out of current appropriations and to pay an additional amount into the retirement fund. In certain instances, the additional amount can be quite high. Thus, we have chosen to not to exercise this authority, and while we appreciate the flexibility it affords us, we have no plans to use it in the near future.

Section 3 of the 2000 act amended section 31(h) of title 31, United States Code, by deleting the prior reduction-in-force procedures, adding a new provision, and requiring us to report the effect of using this authority on preference eligibles such as disabled veterans. We did not conduct any reduction in force or other workforce restructuring in fiscal year 2004; consequently, there was no impact on preference eligibles.

GAO Human Capital Reform Act of 2004

This act made permanent our authority to offer voluntary early retirement opportunities to our employees. Two voluntary retirement opportunities affected our workforce in fiscal year 2004. As discussed above, the first opportunity was made under the authority of the 2000 act. The second opportunity was made under the 2004 act and was open for application from July 15, 2004, to August 30, 2004. Approved applicants were required to retire on September 30, 2004, unless otherwise extended by the Comptroller General. Of the 17 applications that were received, 3 were disapproved, 4 of the approved applicants decided not to retire, and 10 of

the applicants retired in fiscal year 2004. As noted above, we have found this authority to be very helpful in reshaping our workforce.

The section of the act concerning annual pay adjustments does not take effect until October 1, 2005. We are in the process of formulating a strategy to derive the appropriate methodologies for implementing this provision by its effective date.

The sections of the act that relate to pay retention, increased annual leave for key employees, and an executive exchange program were not used in fiscal year 2004. We have begun drafting regulations related to the executive exchange program, which we hope to implement during fiscal year 2005.

Section 9 of the this act requires (1) a link between our performance management system and our strategic plan, (2) training and retraining for supervisors and employees in the implementation and operation of the system, (3) procedures to ensure feedback between all participants in the system and setting timetables for review, (4) effective transparency and accountability measures to ensure that the system is fair and equitable, and (5) a means to ensure that adequate agency resources are allocated for all aspects of the system. While these requirements were not statutorily mandated for our performance management system prior to the passage of the act, our performance management system for analysts and attorneys met all of these requirements in fiscal year 2004. In addition, the system for administrative and support staff, which will be implemented in fiscal year 2005, meets these requirements. Our system has numerous procedures to enable feedback for all the participants, and we continually review the system to ensure that it is applied fairly, consistently, transparently, and equitably to all employees. These actions allow us to constantly improve our performance management system, resulting in a system that objectively and correctly measures employees' performance on a number of competencies related to our mission, performance goals, and strategic plan. Use of performance appraisal data enables us to reward appropriate employees with performance-based increases in compensation—a feature that contributes to our attracting and retaining top performers. Moreover, our system enables us to more correctly use staff to carry out our mission, meet our performance goals, and fulfill our strategic plan.

Finally, section 10 of the 2004 act requires us to consult with any interested groups or associations representing officers and employees of GAO when implementing the changes brought about by this act. This is a practice that we have implemented for several years. Typically, in implementing changes such as those in this act, we consult with interested groups and associations within GAO, provide them with draft policies and regulations, and obtain input from them on suggested clarifications or changes to the policies and regulations. We carefully consider this input and incorporate it, when appropriate, before distributing policies or regulations for comment to all employees. We will continue this practice in implementing the changes related to the 2004 act and have already taken steps to ensure that all groups, associations, and employees at GAO are aware of the impending changes in the performance management system because of this act.

4. GAO's Information Security Efforts

IT security management, policies, and procedures continue to evolve given the changing nature of threats to our IT services. During the past year, we focused our efforts on implementing an information security program, consistent with key requirements delineated in the Federal Information Security Management Act (FISMA) provisions enacted under the E-Government Act of 2002 (Pub. L. No. 107-347) and National Institute of Standards and Technology 800 Series guidance. While we are not obligated by law to comply with FISMA, we have adopted its requirements to help ensure that we establish an effective information security program and to fulfill our goal of being a model federal agency. This appendix serves as our annual report on information security efforts, as required by the act.

We have programs and processes in place to assess the status of our information security program, including the results of internal reviews by program offices and security staff, and independent external evaluations and testing of IT controls of our major payroll/personnel applications by a public accounting firm, who are independent of our IT support function. Results of these reviews and evaluations identified no material weaknesses in our payroll personnel applications (WebTA and Travel Manager). In addition, an independent external auditor was contracted to conduct a detailed review of our existing security program, as well as a vulnerability assessment to identify any outstanding or new weaknesses and recommend corrective actions. Results of these findings indicate a strong foundation of a security program with identified recommendations to improve performance, integration and standardization of IT security initiatives consistent with the our strategic plan and our IT plan. Results also identified that we are making substantial progress in implementing information security requirements consistent with FISMA through our efforts to

- implement an enterprisewide risk-based security program;
- develop essential policies, procedures, and reporting mechanisms to ensure that our security program is integrated into every aspect of system life cycle planning and maintenance;
- provide recurring security training and awareness to all GAO staff;
- integrate security into our capital investment control process; and
- implement an enterprise disaster recovery solution.

We have defined security initiatives that have identified needed changes in our existing infrastructure as well as the need for new security technologies. We have undertaken several projects that have significantly improved our information security program during fiscal year 2004. Among these projects are the following:

- IT Security Policy Order—we have completed the revision of our IT Security Policy Order. Working in coordination with General Counsel, we identified changes needed to make the new order consistent with FISMA and the National Institute of Standards and Technology 800 Series guidance. This order establishes the foundation for our IT services as related to security configurations and implementations.
- Vulnerability assessment—we have instituted a process consistent with the requirements cited in FISMA to scan the General Support System for vulnerabilities and potential exploits. Using FoundScan, each network device is scanned on a routine schedule to identify vulnerabilities that are remediable via patches, configuration changes to secure services and system standardization that will meet our system hardening guidelines. We integrated this process with system engineers to maintain up-to-date patched systems to stabilize our network.
- Personal firewalls—we are implementing a desktop firewall product that provides the necessary policy-based protection for our user community. Using an enterprise solution that is

centrally managed, we have the ability to ensure select security practices are implemented for each staff providing for a secure computing environment. The initial pilot was implemented for 300 desktops in fiscal year 2004. The agencywide implementation is slated for fiscal year 2005.

- Second external firewall—providing a layered approach toward security, a second external firewall was introduced into GAO's architecture in fiscal year 2004. This dual firewall approach allows for more granular filtering of connections to our resources from external customers. The additional layer of security provided by this firewall enhances our ability to identify and stop potential hackers and improve the service to our customers.
- Internal firewalls—to better secure our computing assets within GAO, we are completing the implementation of internal firewalls to the core switches and each field office during fiscal year 2004. These firewalls will allow us to separate network assets and control communications to those assets. This approach provides a "best practice" computing defense against the threat of a disgruntled employee. The additional layer of security provided by the internal firewalls enhances our ability to identify and stop potential security risks and improve the service to our customers.
- Enhanced IT disaster recovery—we are continually refining our disaster recovery procedures and have conducted some limited testing exercises during fiscal year 2004 to ensure the viability of our contingency plan. We have developed a continuity of operations plan to document procedures to ensure management oversight of mission/mission support activities during a time of emergency. In addition, we have strategically positioned critical backup services at a remote location and have reproduced validated restorations of our data. We have implemented a contingency Web-based portal to establish essential remote telecommunications links for our client-server-based systems. As we refine our contingency processes and improve our services, we will be implementing additional technologies that mirror our current daily IT services during fiscal year 2005.
- Upgrade classified processing—our investigative mission requiring classified DOD information has been limited to select sites with limited access. During fiscal year 2004, we began expanding our Secret Internet Protocol Router Network connections to multiple GAO field office sites providing these sites, with a secure computing facility and new equipment. Rooms were renovated to meet the Defense Information Systems Agency's specifications and equipment was purchased that included switches, routers, firewalls, intrusion detection devices, servers, and workstations. Full installation at all sites will conclude in fiscal year 2005.
- Implement a Security Operations Center—we have implemented a Security Operations Center responsible for the daily monitoring of security devices within our IT infrastructure. Daily reports identify potential threats to us that require investigations to ensure our environment is uncompromised. Intrusion detection devices are the primary source of information, using intruder alert server agents (host-based) and SourceFire intrusion detection system equipment (network-based) to monitor our environment.

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