

Serving the Congress and the Nation  
U.S. Government Accountability Office



Summary of GAO's  
Performance and Accountability Report  
Fiscal Year 2012

## **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 our reputation, and the GAO approach to work ensures it.

## **Reliability**

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

## **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 and performance, financial and management audits, policy analyses, legal opinions, bid protest adjudications, and investigations.



**UNITED STATES  
GOVERNMENT ACCOUNTABILITY OFFICE**  
Budget, Performance, and Financial Snapshot  
Fiscal Year 2012

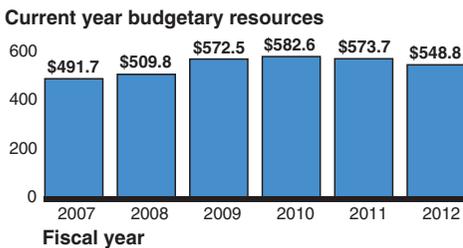
**WHO WE ARE**

**Mission:** The Government Accountability Office, the audit, evaluation, and investigative arm of the Congress, 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. We examine the use of public funds; evaluate federal programs and policies; and provide analyses, recommendations, and other assistance to help the Congress make informed oversight, policy, and funding decisions.

**Organization and Strategic Focus:** To fulfill our mission, we organize and manage our resources to support four broad strategic goals. These include helping to address challenges to the well-being and financial security of the American people, responding to changing security threats and global interdependence, and transforming the federal government to address national challenges. Strategic goal 4 is an internal goal focused on enhancing our value through improving efficiency, effectiveness, and quality, and institutional stewardship and resource management.

**Human Capital:** We maintain a workforce of highly trained professionals across a breadth of disciplines. In fiscal year 2012, about 72 percent of our 2,960 employees were based at our headquarters in Washington, D.C.; the rest were deployed in 11 field offices across the country.

**BUDGET AND FINANCIAL SNAPSHOT (DOLLARS IN MILLIONS)**



**Fiscal Year 2012**

Clean opinion on financial statements	Yes
Timely financial reporting	Yes
Material weaknesses	None
Total assets	\$122.4
Total liabilities	\$97.2

Source: GAO.

Note: Current year budgetary resources include appropriations and offsetting collections.

**PERFORMANCE SNAPSHOT**

**Accomplishments:** In fiscal year 2012, we met or exceeded 13 of our 15 annual performance targets by, for example, identifying \$55.8 billion in financial benefits for the federal government—a return of \$105 for every dollar we spent—and 1,440 improvements in broad program and operational areas across the government. The rate at which our recommendations were implemented by federal agencies or the Congress was 80 percent, and over two-thirds of the products issued contained recommendations. We did not meet our testimony target but testified at 159 hearings before the Congress on topics across our body of work, over a third of which were on areas considered at high risk for fraud, waste, abuse, and mismanagement. For people measures, we met or exceeded all but our new hire rate.

**Challenges:** In fiscal year 2012, we continued to address two management challenges—human capital and our new challenge to improve engagement efficiency. In the area of human capital, we recruited and hired staff to fill several senior executive positions, developed a new performance appraisal system, and launched an enhanced telework program including a space sharing component. In the area of engagement efficiency, we made significant progress on projects to improve managing and conducting engagements, utilizing resources, and communicating the message of our work.

**KEY GAO PERFORMANCE RESULTS AND TARGETS FOR FISCAL YEARS 2007-2012**

To help determine how well we are meeting the needs of the Congress and the nation and maximizing its value as a leading practices agency, we assess our performance annually using a balanced set of quantitative measures. Below are 9 of the 15 annual performance measures that highlight our performance in significant areas related to the implementation of our mission.

To establish targets for all of our performance measures, we examine our past performance and the external factors that could influence our work and discuss with our senior executives what could be accomplished in the upcoming fiscal year. We may adjust these targets after we publish our annual performance plan based on changes in planned work or level of funding.

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target actual	
<b>Results</b>							
Financial benefits (dollars in billions)	\$45.9	\$58.1	\$43.0	\$49.9	\$45.7	\$40.0	\$55.8
Nonfinancial benefits	1,354	1,398	1,315	1,361	1,318	1,200	1,440
Past recommendations implemented	82%	83%	80%	82%	80%	80%	80%
New products with recommendations	66%	66%	68%	61%	68%	60%	67%
<b>Client</b>							
Testimonies	276	298	203	192	174	180	159
<b>People</b>							
Staff development	76%	77%	79%	79%	79%	76%	80%
Staff utilization	73%	75%	78%	77%	78%	75%	76%
Effective leadership by supervisors	79%	81%	83%	83%	83%	80%	82%
Organizational climate	74%	77%	79%	79%	80%	75%	78%

Source: GAO.

Notes: See table 1 on page 10 for information on all of our performance measures.

Information explaining all of the measures included in this table appears in the Appendix on Data Quality on page 124 of our full fiscal year 2012 performance and accountability report or at <http://www.gao.gov/products/GAO-13-2SP>.



Source: GAO.

January 2013

I am pleased to present this summary of GAO’s performance and accountability report for fiscal year 2012. During the year, we reported on a broad range of issues including retirement security and nutrition assistance, foreclosure mitigation, Medicare and Medicaid, transportation safety, missile defense acquisitions, emergency management grants, counterterrorism, cybersecurity, and the debt limit. We issued our second annual report identifying [duplication](#), overlap, cost-saving opportunities, and revenue enhancements in a total of 51 areas such as unmanned aircraft systems, surface freight transportation, information technology investment management, and housing assistance. We issued 11 products in response to the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) on financial institutions and securities markets and several reports on insurance markets and publicly financed health insurance programs related to the Patient Protection and Affordable Care Act. We also continued to regularly report the results of our work on the Troubled Asset Relief Program and the American Recovery and Reinvestment Act. We again received from independent auditors an unqualified or “clean” opinion on our financial statements for fiscal year 2012. The detailed performance and financial information in the [full report](#) is complete and reliable, and meets our high standards for accuracy and transparency.

It was another strong year for our performance. We documented \$55.8 billion in financial benefits for the federal government—a return of \$105 for every dollar invested in us. Additionally, we recorded 1,440 other program and operational benefits across the government. For example, we documented 504 benefits in public safety and security programs including homeland security, critical infrastructure, food safety, transportation safety, public health, and consumer protection. We referred over 70 cases of potential fraud or other impropriety to executive branch agencies, leading to such actions as recoupment of improperly received funds and conviction for theft of government property. In addition to benefits to the government, our work also benefitted the consumer. For example, our work resulted in savings to consumers from new energy standards for appliances, better information on fees to participants in defined contribution retirement plans, and about \$140 million in refunds to consumers of debt protection products.

The 112th Congress relied on us to inform its work on national and international issues. Our senior officials testified at 159 hearings on key topics, such as Department of Defense weapon systems, protecting federal information systems, improving disability programs, and Medicare. We know that getting our message out is crucial. To better serve our clients and the public we expanded our presence in digital and social media, released GAO's iPhone application, and launched streaming video web chats with the public. We also continued our popular podcast audio series, recently releasing our 100th podcast.

We depend upon our professional, diverse, and multidisciplinary staff to meet our clients' needs. Our people enable us to fulfill our mission 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. Through the dedication and commitment of our staff, we achieved 95 percent on-time product delivery. Our people and internal operations measures indicate that our employees feel they have the developmental opportunities, work experiences and environment, and operational support they need to produce high-quality work. We met or exceeded six of the targets for our seven people measures—retention rate (with and without retirements), staff development, staff utilization, effective leadership by supervisors, and organizational climate. We did not meet our target for new hires as we curtailed hiring, filling only critical needs because of budget constraints. We ranked second overall, and first in supporting diversity, among mid-size federal agencies in the Best Places to Work in the federal government rankings of the Partnership for Public Service.

We continued to focus on our two internal management challenges, human capital and engagement efficiency. In the area of human capital, we recruited for critical hires and implemented an enhanced telework pilot program in selected field offices, in conjunction with a workspace sharing initiative. Under our engagement efficiency initiative, we completed an end-to-end analysis of our engagement process that identified several areas of opportunity for improved efficiency. We have established an Office of Continuous Process Improvement that has begun several efficiency improvement projects based on our analysis results. These two management challenges will continue to be priorities in fiscal year 2013.

We maintained our productive working relationship with the employees' union, GAO Employee's Organization, International Federation of Professional and Technical Engineers (IFPTE), Local 1921, and reached agreement on several initiatives, including approval of our new performance appraisal system. We welcomed the establishment of a new bargaining unit with IFPTE, Local 1921, for our administrative professional and support staff. We are also working with the Employee Advisory Council and the Diversity Advisory Council on several issues, and we

developed additional diversity and inclusion courses and improved our reasonable accommodations process.

Fiscal year 2012 provided many opportunities for GAO to address complex issues facing the Congress and the nation. We met these challenges, accomplishing our objectives under constrained budget circumstances. Although fiscal year 2013 may present many similar challenges, we plan to deliver our third annual report on overlap, duplication, and fragmentation across government, the biennial update of our high-risk list, and continued work on financial regulatory and health insurance issues, among other pressing matters. We will continue our work to improve our efficiency and will begin the process of updating our strategic plan for serving the Congress, which we expect to issue early in 2014. We look forward to continuing to serve the Congress and the public in the coming year through our work on issues and programs affecting the lives of all Americans.

A handwritten signature in black ink, reading "Gene L. Dodaro". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Gene L. Dodaro  
Comptroller General  
of the United States



# About GAO

Source: See Image Sources.

GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. Commonly known as the audit and investigative arm of the Congress, we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including the Federal Managers' Financial Integrity Act (FMFIA), the Government Performance and Results Act, as amended (GPR), and the Federal Financial Management Improvement Act of 1996 (FFMIA) and the Federal Information Security Management Act (FISMA).<sup>1</sup> Accordingly, our performance and accountability report for fiscal year 2012 provides what we consider to be information comparable to that reported by executive branch agencies in their annual performance and accountability reports. The report also fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.

## Mission

Our mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. The strategies and means that we use to accomplish this mission are described in the following pages. In short, we provide objective and reliable information and analysis to the Congress, to federal agencies, and to the public, and we recommend improvements, when appropriate, on a wide variety of issues. Three core values—accountability, integrity, and reliability—form the basis for all of our work, regardless of its origin. These are described on the inside front cover of this report.

## 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 had begun to perform the type of work we are noted for today—program evaluation—which examines whether government programs are meeting their objectives.

<sup>1</sup> FMFIA requires ongoing evaluations and annual reports on the adequacy of internal accounting and administrative control systems of each agency. GPR seeks to improve public confidence in federal agency performance by requiring that federally funded agencies develop and implement accountability systems based on performance measurement that include goals and objectives and measure progress toward them. The GPR Modernization Act of 2010 incorporates additional requirements for reporting and transparency. FFMIA emphasizes the need to improve federal financial management by requiring federal agencies to implement and maintain systems that comply with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level. FISMA requires federal agencies to implement policies and procedures to cost-effectively reduce information technology risks.



**Figure 2: How GAO Assisted the Nation • Fiscal Year 2012**

***Goal 1: Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People***

- Identified \$12 billion of savings by reducing unneeded payments to Medicare Advantage Plans
- Improved oversight of the Food and Drug Administration's investigators of medical devices
- Encouraged the Social Security Administration to develop goals, measures, and risk assessments for its plan to eliminate the backlog of disability hearings
- Led the Treasury to change requirements for its mortgage modification program to allow modifications for properties that are not owner-occupied, thereby reducing vacant and unmaintained properties
- Provided support for the Congress to eliminate the duplicative \$5.7 billion ethanol tax credit
- Developed findings for the Congress to establish national goals and require development of performance measures and targets for highway safety, condition, and performance

***Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence***

- Led the Federal Emergency Management Agency to better target National Flood Insurance Program bonuses for companies to focus on under-served areas and small businesses
- Identified challenges in processing increased volumes of terrorist watchlist information and impacts on agency resources and the traveling public
- Encouraged improved information security controls over multiple agencies' information systems and networks to protect confidentiality, integrity, and availability of agency information
- Found cost and technical risks in the Navy's \$80 billion plan to purchase 40 destroyers
- Helped ensure the Department of Defense's (DOD) \$19 billion space launch vehicle acquisition is based on sound data
- Led DOD to establish guidelines for enhanced end-use monitoring of arms sales to the Persian Gulf

***Goal 3: Help Transform the Federal Government to Address National Challenges***

- Led the Treasury to increase the liquidity of Treasury Inflation Protected Securities, reducing borrowing costs by about \$2.2 billion over 5 years
- Contributed to reducing improper payments by about \$1.4 billion for 22 federal programs
- Referred over 70 individual cases of potential fraud or other impropriety to federal agencies for action
- Identified counterfeit parts that could enter the DOD supply chain for military grade electronic parts
- Ensured the soundness of National Aeronautics and Space Administration's (NASA) plans to sustain the international space station through replicating NASA's system assessments
- Published a guide to provide a consistent methodology for developing, managing, and evaluating schedules for capital investments

***Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency***

- Provided extensive training on revised Government Auditing Standards
- Analyzed our engagement process and identified 31 areas of opportunity for improved efficiency
- Reduced our physical infrastructure footprint and expanded telework for \$1.1 million in potential savings
- Established a three-tier certification program and certified 73 contracting officer representatives

Source: GAO.

Note: Additional information on accomplishments by goal is highlighted in part II of the [full report](#).

## Fiscal Year 2012 Performance

In fiscal year 2012, demand for our work was high with 924 congressional requests and new mandates. Our work in key areas helped inform the Congress and the administration on issues relevant to all Americans. These included issues related to duplication, overlap and opportunities for cost-saving in government programs, for which we identified 51 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services, the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#), the Patient Protection and Affordable Care Act, nationwide funding provided through the American Recovery and Reinvestment Act and the Troubled Asset Relief Program, and our continued oversight of high-risk and other critical areas.

This work also allowed us to achieve many of our performance goals, and we monitored how well we performed and supported our staff using 15 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2012—we met or exceeded all but two of the performance targets we set for our client and people measures—those for which data are available (see [table 1](#)). We exceeded our targets for our two priority measures—financial and nonfinancial benefits. We achieved \$55.8 billion in financial benefits, exceeding our target of \$40 billion by \$15.8 billion.<sup>2</sup> This represents a \$105 return on every dollar the Congress invested in us. We recorded 1,440 nonfinancial benefits, exceeding our target of 1,200 by 240 benefits. We met our target of 80 percent for past recommendations implemented, and we exceeded our target for new products with recommendations by 7 percentage points. We did not meet our target of 180 hearings at which we were asked to testify, due to fewer-than-anticipated hearings in a range of subject areas. We exceeded our target for delivering our products and testimonies to our clients in a timely manner. We also met or exceeded our annual targets for six of seven of our people measures.

Concerning our two internal operations measures, we assess our performance related to how well our internal administrative services (e.g., computer support, telework, and building maintenance) help employees get their jobs done or impact employees' quality of work life based on responses to an annual internal survey. There always is a lag in reporting on this measure because our customer feedback survey is conducted after we issue the performance and accountability report. Our scores from the 2011 survey were 3.98 for services that "help get the job done" and 3.99 for services that impact the "quality of work life." On a 5-point scale, with 5 being the highest, these scores indicate that our employees were satisfied with the internal administrative services we provide.

Our fiscal year 2013 targets for 13 of 15 of our performance measures are the same as those targets we reported in our fiscal year 2013 performance plan in February 2012. We believe that these targets are challenging yet realistic for our staff given constrained resources to monitor agency actions to implement our recommendations.

<sup>2</sup>A financial benefit is an estimate of the federal cost reduction of agency or congressional actions.

**Table 1: Agencywide Summary of Annual Measures and Targets**

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual	Met/ not met	2013 target
<b>Results</b>									
Financial benefits (dollars in billions)	\$45.9	\$58.1	\$43.0	\$49.9	\$45.7	\$40.0	\$55.8	Met	\$44.0
Nonfinancial benefits	1,354	1,398	1,315	1,361	1,318	1,200	1,440	Met	1,200
Past recommendations implemented	82%	83%	80%	82%	80%	80%	80%	Met	80%
New products with recommendations	66%	66%	68%	61%	68%	60%	67%	Met	60%
<b>Client</b>									
Testimonies	276	298	203	192	174	180	159	Not met	170
Timeliness <sup>a</sup>	95%	95%	95%	95%	95%	90%	95%	Met	90%
<b>People</b>									
New hire rate	96%	96%	99%	95%	84%	95%	76%	Not met	95%
Retention rate									
With retirements	90%	90%	94%	94%	92%	90%	93%	Met	90%
Without retirements	94%	93%	96%	96%	96%	94%	96%	Met	94%
Staff development <sup>b</sup>	76%	77%	79%	79%	79%	76%	80%	Met	76%
Staff utilization <sup>b,c</sup>	73%	75%	78%	77%	78%	75%	76%	Met	75%
Effective leadership by supervisors <sup>b,d</sup>	79%	81%	83%	83%	83%	80%	82%	Met	80%
Organizational climate <sup>b</sup>	74%	77%	79%	79%	80%	75%	78%	Met	75%
<b>Internal operations<sup>e</sup></b>									
Help get job done	4.05	4.0	4.03	3.94	3.98	4.0	N/A	N/A	4.0
Quality of work life	3.98	4.01	4.01	3.94	3.99	4.0	N/A	N/A	4.0

Source: GAO.

Note: Information explaining all of the measures included in this table appears in the Appendix on Data Quality on page 124 of the [full report](#).

<sup>a</sup>The timeliness measure is based on one question on a form sent out to selected clients. The response rate for the form in fiscal year 2012 was 22 percent, and 99 percent of the clients who responded answered this question. The percentage shown in the table represents the percentage of respondents who answered favorably to this question on the form.

<sup>b</sup>This measure is derived from our annual agencywide employee feedback survey. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of "no basis to judge/not applicable" or "no answer" were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

<sup>c</sup>Our employee feedback survey asks 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.

<sup>d</sup>In fiscal year 2009, we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employees' satisfaction with their immediate supervisors' leadership. In fiscal year 2010, we changed one of the questions for this measure.

<sup>e</sup>For our internal operations measures, we ask staff to rate 30 internal services available to them, indicating on a five-point scale, with 5 being the highest, their satisfaction with each service from "very dissatisfied" to "very satisfied" or to indicate if they did not use the service. We will report actual data for fiscal year 2012 once the survey results have been analyzed. N/A indicates that the data are not yet available.

## Financial Benefits and Nonfinancial Benefits

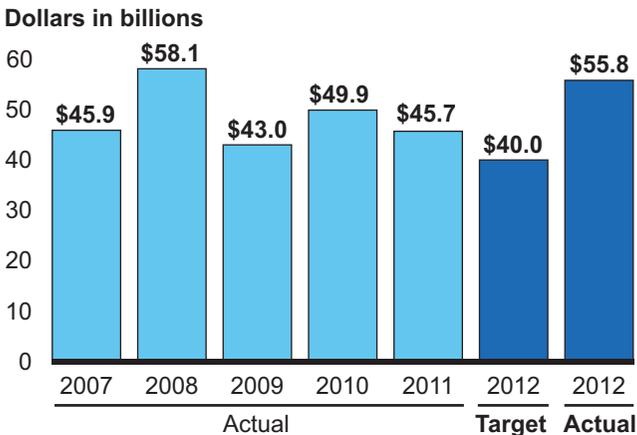
We describe many of the results produced by our work as either financial or nonfinancial benefits. In many cases, the benefits we claimed in fiscal year 2012 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

### Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress acts on or agencies implement them and the funds are made available to reduce government expenditures or are reallocated to other areas. The financial benefit can be the result of changes in business operations and activities; the restructuring of federal programs; or modifications to entitlements, taxes, or user fees.

In fiscal year 2012, our work generated about \$56 billion in financial benefits (see [fig. 3](#)). We exceeded our target by almost 40 percent because of several unexpectedly large accomplishments. Part II of the [full report](#) provides more information on these accomplishments by goal. In light of ongoing resource constraints that may affect our ability to follow up on actions taken, we have set our fiscal year 2013 target for financial benefits at \$44 billion. This is above the fiscal year 2012 target but below our actual performance.

**Figure 3: Financial Benefits GAO Recorded**



Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the estimated 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. We limit the period over which benefits from an accomplishment can accrue to no more than 5 years.

Estimates used to calculate our financial benefits come from non-GAO sources. These sources are typically the agency that acted on our work, a congressional committee, or the Congressional Budget Office. Additional examples of financial benefits can be found in Part II of the [full report](#).

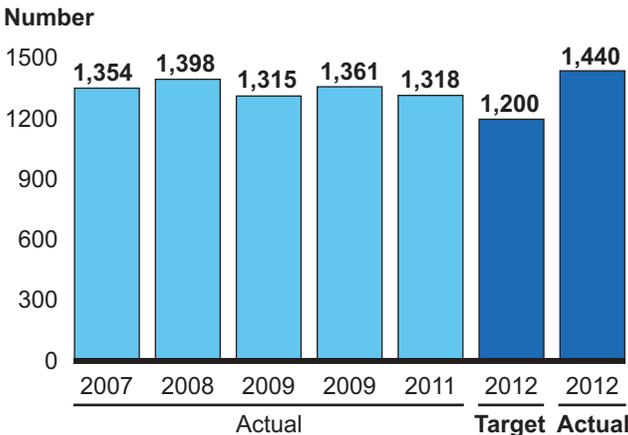
**Selected Fiscal Year 2012 Financial Benefits**

- Reductions in Payments to Medicare Advantage (MA) Plans: \$12.4 billion
- NASA Cancellation of Constellation/Ares I Project: \$8 billion
- Elimination of Ethanol Excise Tax Credit for Corn: \$4.5 billion
- Tour Normalization for Forces in South Korea: \$3.1 billion
- Termination of Defense Weather Satellite System (DWSS) Program: \$3 billion

**Nonfinancial Benefits**

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2012, we recorded a total of 1,440 nonfinancial benefits (see [fig. 4](#)). We exceeded our target by 20 percent largely because of a number of accomplishments we documented for information technology, physical infrastructure, and environmental issues. We have set our 2013 target for nonfinancial benefits at 1,200 again given ongoing resource constraints.

**Figure 4: Nonfinancial Benefits**

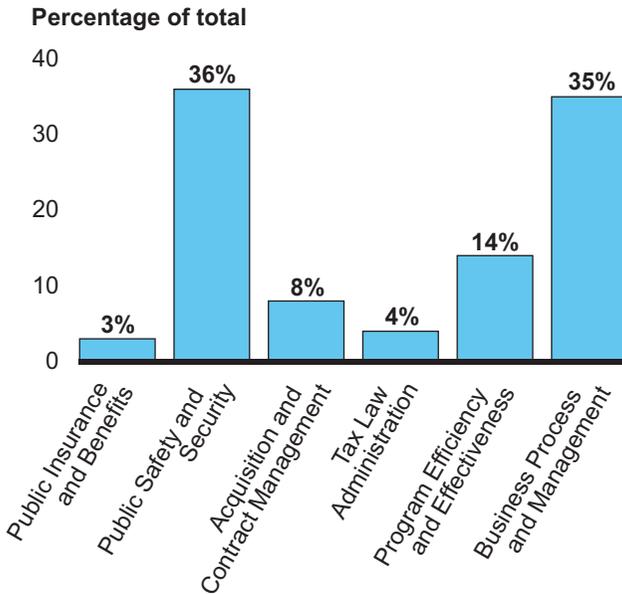


Source: GAO.

In fiscal year 2012 we documented actions taken across federal programs—about 36 percent of the total nonfinancial benefits were in the area of public safety and security, including programs such as homeland security and justice programs and critical technologies. About 35 percent resulted from improvements in business process and management, such as federal information systems, business systems modernization, and financial

management (see [fig. 5](#)). Additional examples of nonfinancial benefits can be found in Part II of the [full report](#).

**Figure 5: Types of Fiscal Year 2012 Nonfinancial Benefits**



Source: GAO.

Note: These categories closely align with those in our high-risk list on page 39 of the [full report](#).

Examples of programs included in categories:

- **Public Insurance and Benefits:** Medicare, Medicaid, Department of Veterans Affairs and DOD health care, disability programs, national flood insurance, federal deposit insurance, and other insurance programs.
- **Public Safety and Security:** Homeland security and justice programs, critical infrastructure, including information security, critical technologies, food safety, transportation safety, telecommunications safety, international food assistance, public health, consumer protection, environmental issues, national defense, foreign policy, and international trade.
- **Acquisition and Contract Management:** DOD weapon system acquisition, National Aeronautics and Space Administration acquisition management, and all federal agency and interagency contract management.
- **Tax Law Administration:** Internal Revenue Service (IRS) business systems modernization, tax policy, and enforcement of tax laws.
- **Program Efficiency and Effectiveness:** Fraud, waste, and abuse; U.S. financial regulatory system; federal oil and gas resources; U.S. Postal Service; transportation funding; and telecommunications funding.
- **Business Process and Management:** Federal agency financial audits, federal information systems, federal real property, human capital management, DOD business transformation, business systems modernization, financial management, support infrastructure management, and supply chain management.

<b>Selected Fiscal Year 2012 Nonfinancial Benefits</b>
<b>Public Insurance and Benefits</b>
■ Improving Efforts to Eliminate Social Security Administration's Hearings Backlog
<b>Public Safety and Security</b>
■ Ensuring Effective Use of the Terrorist Watchlist
<b>Acquisition and Contract Management</b>
■ DOD Action to Facilitate Contractor Demobilization for the Iraq Drawdown
<b>Tax Law Administration</b>
■ Internal Revenue Service Improves Process for Collection Actions on Unpaid Payroll Taxes
<b>Program Efficiency and Effectiveness</b>
■ Preventing Fraud in the Head Start Program
<b>Business Process and Management</b>
■ Increasing Agency Focus on Timely Closeout of Grants

In addition to benefits to the government, our work also results in benefits to the consumer. For example, we reviewed the Department of Energy's (DOE) record of standard setting for minimum energy efficiency for consumer and industrial appliances and found that dozens of standards were backlogged ([GAO-07-42](#)). DOE took action to address our recommendations to streamline the standard setting process and allocate additional resources to expedite setting new standards and has largely caught up with its backlog of unset standards. As a result, according to DOE's data American consumers are currently saving \$15 billion per year because the appliances they purchase are using less energy. In another review, we found that consumers only received 21 cents on the dollar in financial benefits for every dollar they spent for debt protection products from 9 large credit card issuers ([GAO-11-311](#)). We recommended that the Bureau of Consumer Financial Protection (Bureau) consider the financial benefits and costs to consumers of these products. In July 2012, the Bureau announced an enforcement action—triggered by our work, according to the Bureau's director—that required one credit card issuer to provide about \$140 million in refunds to consumers of debt protection products, and subsequently at least three issuers announced that they were phasing out these products altogether. In a third example, we reported that participants in defined contribution plans, such as 401(k) and 403(b) plans, had limited information to compare investment options and invest wisely ([GAO-07-21](#)). We recommended that the Department of Labor (DOL) ensure that information, such as fees and expenses, be made available, and DOL issued a rule requiring plan administrators and their service providers to disclose certain information regarding investments to plan sponsors. DOL estimated that this change could save workers \$12.3

billion in fees and administrative costs over a ten-year period. There are 72 million participants in 401(k)-type plans who now have the information they need to manage their retirement savings.

### **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 2012, 80 percent of the recommendations we made in fiscal year 2008 had been implemented, primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation. The 80 percent implementation rate for fiscal year 2012 met our target for the year. Agencies need time to act on recommendations. We assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

### **New Products Containing Recommendations**

In fiscal year 2012, about 67 percent of the 651 written products we issued contained recommendations. We track the percentage of new products with recommendations because we want to focus on developing recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation. We exceeded our target of 60 percent by 7 percentage points. However, we have set our target again in fiscal year 2013 at 60 percent because we recognize that our products do not always include recommendations, and the Congress and agencies often find informational reports as useful as those that contain recommendations.

### **Client Measures**

To fulfill the Congress's information needs, we plan 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 assisted the Congress well, by striving to respond to all congressional requests for testimony and delivering almost all of our products on time based on the feedback from our clients. We issued 964 products and completed work for 172 clients.

### **Testimonies**

Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2012, experts from our staff testified at 159 congressional hearings covering a wide range of complex issues. We did not meet our target of 180 (see fig. 15) by 21 hearings. This measure is client driven based on invitations to testify, and we cannot always anticipate clients' specific subject area interests. The 159 hearings at which the Congress asked our executives to testify in fiscal year 2012 covered the

**Figure 6: Selected Testimony Topics • Fiscal Year 2012**

**Goal 1: Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People**

- DOD and VA Health Care Integration
- Medicare Durable Medical Equipment
- FDA's Ability to Respond to Drug Shortages
- Oversight of Medicaid Payments
- Urgent Local Workforce Needs
- Modernizing SSA's Disability Programs
- Unemployed Older Workers
- School Bullying
- Improving Homelessness Programs
- Federal Housing Administration's Mutual Mortgage Insurance Fund
- Mortgage Finance Risk Management
- Federal Reserve System's Emergency Assistance
- Climate Change Adaptation
- Unconventional Oil and Gas Production
- Unmanned Aircraft Systems
- Commercial Space Transportation
- Los Angeles Federal Courthouse Construction
- Federal Real Property Management

**Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence**

- National Nuclear Security Administration Management
- Deepwater Horizon
- Securing the Modernized Electricity Grid
- Visa Waiver Program
- TSA's Process for Vetting Foreign Flight Students
- DHS's Container Security Programs
- FEMA's Management of Preparedness Grants
- DOD Civilian Workforce
- Personnel Security Clearances
- Military Base Realignments and Closures
- Joint Strike Fighter Restructuring
- DOD Satellite Acquisitions
- DOD's Acquisition Workforce Capacity
- Countering the Use of Improvised Explosive Devices
- Support and Security Capabilities in Iraq

**Goal 3: Help Transform the Federal Government to Address National Challenges**

- Arlington National Cemetery Contract Management
- Coast Guard's Deepwater Program
- Medicare Part D Fraud and Prescription Drug Abuse
- Oversight of Psychotropic Prescription Drugs for Foster Children
- Counterfeit Military-Grade Electronic Parts
- Reducing Improper Payments
- Army Financial Audit Readiness
- Fiscal Year 2011 U.S. Government Financial Statements
- Information Technology Reform
- Social Security Administration Technology Modernization
- Centers for Medicare & Medicaid Fraud Detection Systems
- Environmental Satellite Program Risks
- Federal Workforce Challenges
- Effective Long-term Disaster Recovery
- Evaluating Expiring Tax Provisions
- Strategies to Reduce Taxpayer Noncompliance
- 2020 Census Cost Effectiveness

Source: GAO.

Note: Additional information on selected testimonies can be found in part II, pp. 68, 75, and 82 of the [full report](#).

scope of our mission areas. (See [fig. 6](#) for selected topics we testified on by strategic goal in fiscal year 2012.) Fifty-five of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on page 39 of the [full report](#).

### **Timeliness**

To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2012, we met our timeliness target of 90 percent. We outreach directly to our clients through several means, including an electronic feedback form. We use the results of our client feedback form as a primary source and barometer for whether we are getting our products to our congressional clients when they need the information. We have again set our fiscal year 2013 target at 90 percent because of resource constraints that may affect our on-time delivery.

## **People Measures**

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2012. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people. In fiscal year 2012, we met or exceeded six of seven of our people measures. These measures are directly linked to our goal 4 strategic objective of being a leading practices federal agency. For more information about our people measures, see Table 19 on page 124 of the [full report](#).

### **New Hire Rate**

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. Our annual workforce planning process helps to identify the human capital resource requirements needed to accomplish our mission. The workforce plan takes into account strategic goals, projected workload requirements, and other changes, such as retirements, attrition, promotions, and skill gaps, and it specifies the number of planned hires for the upcoming year. Adjustments to the plan are made throughout the year, if necessary, to respond to the most pressing issues for congressional oversight and decision making. In fiscal year 2012, our plan was to hire about 55 critical new staff, but we were only able to bring on board 42 staff by year-end. Because of budget concerns, we delayed moving forward with critical hire approvals until early summer, and we did not meet our target rate of 95 percent, achieving a 76 percent new hire rate.

### **Retention Rate**

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 them to stay with us. This measure is one indicator of whether we are attaining this objective. Our exit surveys have shown that staff who retire do so for family, life, or health considerations; whereas nonretirees leave for new opportunities to work elsewhere, for family reasons, or to make

better use of their skills. In fiscal year 2012, we exceeded our target rate of 90 percent for overall retention by 3 percentage points at 93 percent. We also exceeded our retention rate of 94 percent without retirements by 2 percentage points at 96 percent. We attribute exceeding the target retention rates for the past few years to a slow economy, which has caused some staff to delay retirement and reduced other attrition, such as resignations or transfers to other agencies.

### **Staff Development and Utilization, Effective Leadership by Supervisors, and Organizational Climate**

One way that we measure how well we are supporting our staff and providing an environment for professional growth is through our annual employee feedback survey. This web-based survey is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate their immediate supervisors on key aspects of their leadership styles. In fiscal year 2012, about 70 percent of our employees completed the survey, and we exceeded all four targets. Given our performance on these measures over the last 5 years, we have decided to retain our fiscal year 2012 targets for fiscal year 2013 (see [table 1](#)).

### **GAO's High-Risk Program**

In 1990, we began our high-risk program to highlight long-standing challenges facing the federal government. Historically, we designated high-risk areas based on their increased susceptibility to fraud, waste, abuse, and mismanagement. As the program has evolved, we have also used the high-risk designation to draw attention to the need for broad-based transformation to achieve greater efficiency, effectiveness, accountability, and sustainability of key government programs and operations.

#### **Our 2012 high-risk area work:**

- 188 reports
- 55 testimonies
- \$28.4 billion in financial benefits
- 515 nonfinancial benefits

Issued to coincide with the start of each new Congress, our high-risk updates have helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. Overall, our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. Since 1990, we have designated over 50 areas as high risk and subsequently removed over one-third of the areas based on progress made. As of the end of fiscal year 2012, our high-risk list highlighted 30 troubled areas across government. Table 7 on

page 39 of the [full report](#) lists each current high-risk area and the year it was added to the list.

In our February 2011 high-risk update, we designated one new high-risk area—the Department of the Interior's Management of Federal Oil and Gas Resources. Since then, we have reported that Interior's reorganization has been meeting expected milestones and that much progress has been made in strengthening environmental and worker safety oversight in its Gulf of Mexico jurisdiction ([GAO-12-423](#)). We will continue to monitor Interior's efforts to better manage federal oil and gas resources including its efforts to resolve its human capital challenges and weaknesses in its revenue collection processes.

Our next biennial high-risk update is planned for January 2013. The update will report on progress made and what remains to be done to address each of the high-risk areas. Our experience over the past 22 years has shown that the key elements needed to make progress in high-risk areas are congressional action, high-level administration initiatives, and agency efforts targeted to address the risk. We have met with top OMB and agency leaders in a series of regular meetings to discuss progress and actions needed for the high risk areas. Our commitment to helping agencies address high-risk areas is also reflected in the reports, testimonies, and other work we completed in 2012. More information on the high-risk series is available on our website at <http://www.gao.gov/highrisk>.

## **Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue**

In February 2012, we issued our second annual report ([GAO-12-342SP](#)) to the Congress in response to the Duplication Mandate, a statutory requirement that called for us to identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities and report annually to the Congress on our findings, as well as actions to reduce such duplication.<sup>3</sup> In addition, a companion publication ([GAO-12-453SP](#)) described the extent to which progress was made to address the actions we identified in 2011. This body of work can help to inform government policymakers as they address the fiscal pressures facing our national government. We also launched a new content area on our website titled “Improving Efficiency and Effectiveness” (<http://www.gao.gov/duplication>) to make this work more easily accessible to the public.

Our 2012 report identified 51 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services. Like our March 2011 publication, this year's report identified 32 duplication, overlap, and fragmentation issues as well as 19 other areas that provide opportunities for cost savings and revenue enhancement. Its findings

<sup>3</sup>Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

involve a wide range of government missions and touch virtually all major federal departments and agencies. In some instances of duplication, overlap, or fragmentation, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort. However, the areas discussed in this report identify instances where multiple government programs or activities have led to inefficiencies. Further, we expanded the scope of our work this year to look for areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal grant or loan programs.

Collectively, our work shows that if actions are taken to address the issues raised in both our 2012 and 2011 reports, the government could potentially save tens of billions of dollars annually, depending on the extent of actions taken. However, as the "Actions Needed" presented in our 2012 report show, addressing our varied findings will require careful deliberation and tailored, well-crafted solutions. The GPRA Modernization Act of 2010 establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Aspects of several crosscutting government goals identified in the President's fiscal year 2013 budget are discussed in our 2012 report or in our March 2011 report. Effective implementation of the Act could play an important role in clarifying desired outcomes, addressing program performance spanning multiple organizations, and facilitating future actions to reduce unnecessary duplication, overlap, and fragmentation.

Our assessment of progress in the 81 areas we identified in 2011 ([GAO-12-453SP](#)) showed that the majority of 176 actions needed within the 81 areas identified by us have been partially addressed. Specifically, 23 (or 13 percent) were addressed; 99 (or 56 percent) were partially addressed; 54 (or 31 percent) were not addressed. In addition, the Office of Management and Budget instructed agencies to consider areas of duplication or overlap identified by us and others in their fiscal year 2013 budget submissions and management plans. We continue to monitor executive, legislative, and agency developments in the areas identified in our 2011 and 2012 reports and will provide periodic updates on those developments to the Congress.

## **Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010**

The Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010, to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. The act requires significant rule making by regulatory agencies and requires us to conduct over 40 studies on a broad array of issues. In fiscal year 2011, we reported our findings on a third of these studies. We continued to conduct required studies in fiscal year 2012 and issued 11 products on a range of issues, such as those relating to financial institutions and securities

markets, making 11 recommendations to various financial regulators. Some of the areas we studied include:

- Financial institutions, including the potential effects of the exclusion of the use of hybrid instruments, such as trust preferred securities, as Tier 1 capital on banking institutions and the economy; options for smaller banking institutions, which often had larger proportions of hybrid instruments as Tier 1 capital, to access regulatory capital ([GAO-12-237](#)); and the potential effects of changes in U.S. capital requirements on foreign-owned intermediate holding companies and on U.S. banks operating abroad ([GAO-12-235](#)).
- Securities markets, including regulatory oversight of analyst conflicts of interest and issues related to the Financial Industry Regulatory Authority (FINRA) ([GAO-12-209](#) and [GAO-12-625](#)); alternative compensation models for nationally recognized statistical rating agencies ([GAO-12-240](#)); options for improving municipal securities disclosure ([GAO-12-698](#)); and an overview of the market structure, pricing, and regulation of municipal securities ([GAO-12-265](#)).
- Audits, including an audit of SEC financial controls ([GAO-12-219](#)) and an audit of the Bureau of Consumer Financial Protection ([GAO-12-186](#)).

With regard to the regulators' implementation of the Dodd-Frank Act, we studied financial regulators' analyses of the potential impact of the act's regulations and interagency coordination in promulgating the regulations ([GAO-12-151](#)).

More information on our work on the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 can be found on pages 42-43 of the [full report](#).

## Managing Our Resources

### Resources Used to Achieve Our Fiscal Year 2012 Performance Goals

Our financial statements for the fiscal year ending September 30, 2012, were audited by an independent auditor, CliftonLarsonAllen, LLP, and received an unqualified opinion. The auditor found our internal controls to be effective—which means that no material weaknesses or significant deficiencies were identified—and reported that we substantially complied with the applicable requirements for financial systems in FFMA. In addition, the auditor found no instances of noncompliance with the laws or regulations in the areas tested. In the opinion of the independent auditor, our financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles. The auditor's report, along with the statements and their accompanying notes, begin on page 97 of the [full report](#).

We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the people needed for our mission. In fiscal year 2012, our budgetary resources included new direct appropriations of \$511.3 million—a reduction of \$35 million from the fiscal year 2011 level—and \$22.3 million in current reimbursable authority from the lease of space in our headquarters building and certain audits of agency programs and financial statements.

Our total assets were \$122.4 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 net property and equipment balance decreased \$5.3 million in fiscal year 2012 to \$31.4 million. As a result of reduced appropriations, spending for capital assets has been minimized. Total liabilities of \$97.2 million were composed largely of employees' accrued annual leave, employees' salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable.

Overall, our net cost of operations in fiscal year 2012 is approximately \$45.4 million below the fiscal year 2011 level largely as a result of a reduced current year appropriation. Budget constraints severely limited our ability to replace all of our staff departures from retirements and attrition. Goal 1 (Well-being/financial security of the American people) had the largest reduction in net costs from the prior year of \$21.6 million.

## Internal Management Challenges

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's strategic planning, management, internal controls and budgetary processes. Under strategic goal 4, several performance goals and underlying key efforts focus attention on our two management challenges—human capital and engagement efficiency. Each year we also ask our Inspector General to examine management's assessment of these challenges. For fiscal year 2013, we will continue focusing high-level management attention on human capital and engagement efficiency challenges. Additional details on these challenges can be found on pages 57-60 of the [full report](#).

### Human Capital Challenge

Having a talented, diverse, high-performing, knowledge-based workforce is essential to carrying out our mission. Like other federal agencies, we are challenged to address several critical human capital management issues, while doing more with less. These issues include preparing for the retirement of executives and other senior managers, creating and maintaining a performance-based culture that helps to motivate and retain talented people, and implementing workplace practices that meet the needs of an ever-changing workforce in a fair and equitable manner. As a result in fiscal year 2012, we focused our efforts on a few top priorities to sustain

an agile, well-trained, balanced, and diverse workforce. Specifically, we recruited and hired staff to fill several senior executive positions, identified candidates for our executive development program, launched an enhanced telework pilot program in conjunction with a workspace sharing initiative, and developed a new performance appraisal system.

Although we have made progress, the overarching human capital issue that we expect to continue to face for the foreseeable future is ensuring that we support the mission of the agency with the right resources, where and when they are needed, in the face of declining budgets while providing meaningful rewards and recognition needed to retain our highly skilled workforce. In fiscal year 2013, we will continue to address a few priority areas—succession planning, targeted hiring, training and staff development, and performance management and rewards.

### **Engagement Efficiency Management Challenge**

Last year, we identified a new management challenge stemming from a continuing high workload in a time of declining budgets and staff size. The agency made improving the efficiency with which it conducts its mission work a priority and identified three areas of focus—managing and conducting engagements, utilizing resources, and communicating its message. We made significant progress in initiating work in these areas in fiscal year 2012. In addition to establishing a new office and governance process to manage and lead process improvements, we completed a contractor-assisted end-to-end analysis of our engagement process that identified areas of opportunity for improved efficiency. We also began implementation work in some of these areas including streamlining a final report review process by reducing documentation requirements and moving to electronic routing, and revising report production standards and processes to clarify roles and expectations and improve publication production efficiency. We have a number of projects under way that will continue into fiscal year 2013—some that will deliver results in the near-term while others are longer-term efforts—as we continue to work to address the areas of opportunity for efficiency improvement.

### **Mitigating External Factors**

In addition to the resource constraints and uncertainty of the budget for fiscal year 2013, which directly affect our internal management challenges, other external factors that could affect our performance and progress toward our goals include shifts in congressional interests, the ability of other agencies to make improvements needed to implement our recommendations in a constrained budget environment, and access to agency information. We mitigate these factors in several ways.

Demand for our work is very high, with 924 new congressional requests and mandates in fiscal year 2012. To be prepared to address timely and relevant issues, we communicate frequently with our congressional clients to stay abreast of their interests. We also strive to maintain flexibility in deploying

our resources in response to shifting priorities and have successfully redirected our resources when appropriate and maintained broad-based staff expertise. We devoted 32 percent of our audit resources to mandates in fiscal year 2012. We completed a second year of multiyear mandates to report on duplication in government programs, and health insurance and financial regulatory reform issues. We are also working with the Congress to revise or eliminate mandates that have outlived their usefulness.

The extent to which we can obtain access to agency information also plays a role in our ability to serve the Congress. While we generally receive very good cooperation, over time we have experienced access issues at certain departments and agencies. We actively pursue access issues as they arise, and we are engaged in discussions and efforts across the executive branch to enhance our access to information. In fiscal year 2012, there were several developments on the access front relating to these discussions and efforts. For example, a trial program the Department of Justice (DOJ) designed to improve its responsiveness to our requests resulted in key improvements, and in March 2012, these procedures were made a permanent part of DOJ's protocols. Another development, in the context of intelligence, has to do with the 2011 Intelligence Community Directive (ICD) 114 governing our access to information in the possession of an element of the intelligence community. In fiscal year 2012, we worked through a number of issues with the various elements of the intelligence community related to challenges in obtaining information we requested, and we will continue to monitor the implementation of ICD 114 moving forward. These developments are described in more detail on pages 61-62 of the [full report](#).

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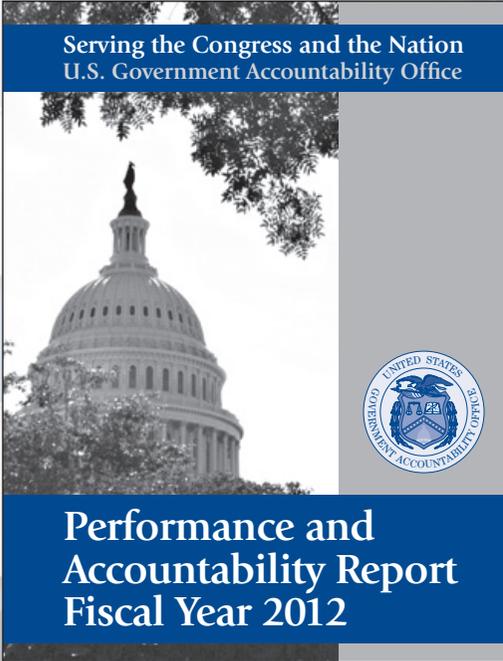
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