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Reports & Testimonies

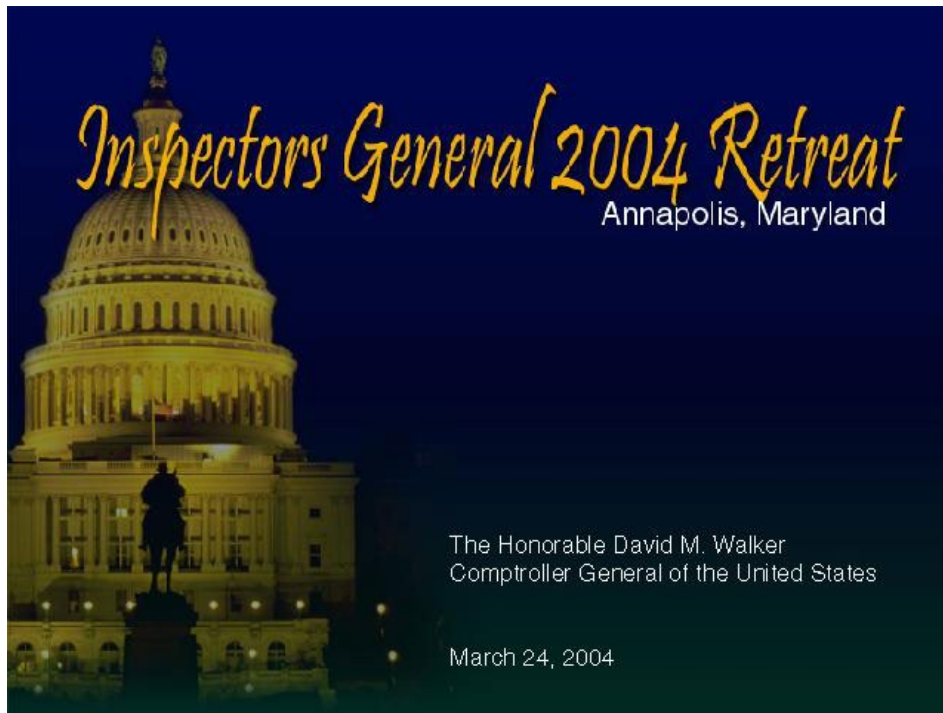
Bid Protests & Appropriations Law

Key Issues

About GAO

Multimedia

PowerPoint Presentation





Slide 2



GAO's Strategic Plan

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 Sustainability
- National Security
- Global Interdependence
- Changing Economy
- Demographic
- Risk 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 Personal Security of the American People, related to:

- Meet the needs and demands of the Congress
- Enhance the effectiveness of the federal government
- Address the needs of the American people
- Enhance the effectiveness of the federal government
- Address the needs of the American people
- Enhance the effectiveness of the federal government

Respond to Changing Science, Threats and the Challenges of Global Interdependence and War...

- Emerging threats
- Military and security challenges
- Address the needs of the American people
- Enhance the effectiveness of the federal government

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

- Support the needs of the American people
- Enhance the effectiveness of the federal government
- Address the needs of the American people
- Enhance the effectiveness of the federal government

Maximize the Value of GAO by being a Model Federal Agency and a World-Class Professional Services Organization in the areas of...

- Enhance the effectiveness of the federal government
- Address the needs of the American people
- Enhance the effectiveness of the federal government
- Address the needs of the American people

CORE VALUES

Accountability Integrity Reliability



Slide 3



GAO Work

Selected Topics

- | | |
|-----------------------------|--|
| Iraq Contracting Issues | Private Pensions |
| Food Safety | Social Security |
| Performance-Based Budgeting | Prescription Drugs |
| Military Transformation | Aviation Safety |
| School Vouchers | Welfare Reform |
| Restructured Energy Markets | Army Readiness |
| Securities Regulation | Water Quality |
| Election Reform | Nuclear Waste |
| Information Security | Export Controls |
| FBI Reorganization | Tax Administration |
| Nursing Homes | Drug Control |
| Space Station | Postal Transformation |
| Homeland Security | Corporate Governance & Auditing Failures |

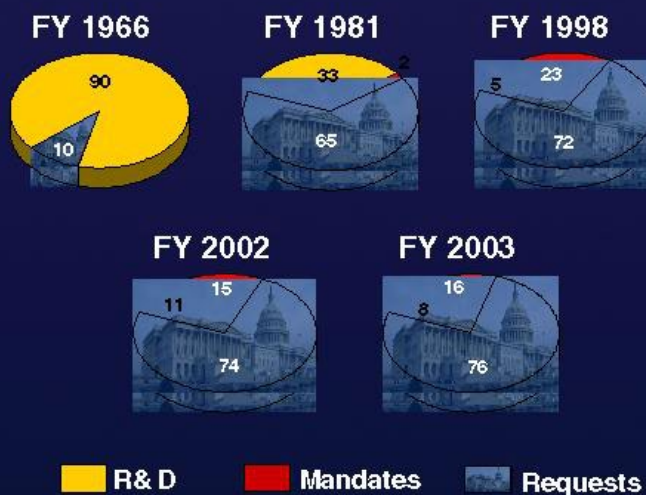
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The Nature of GAO's Work

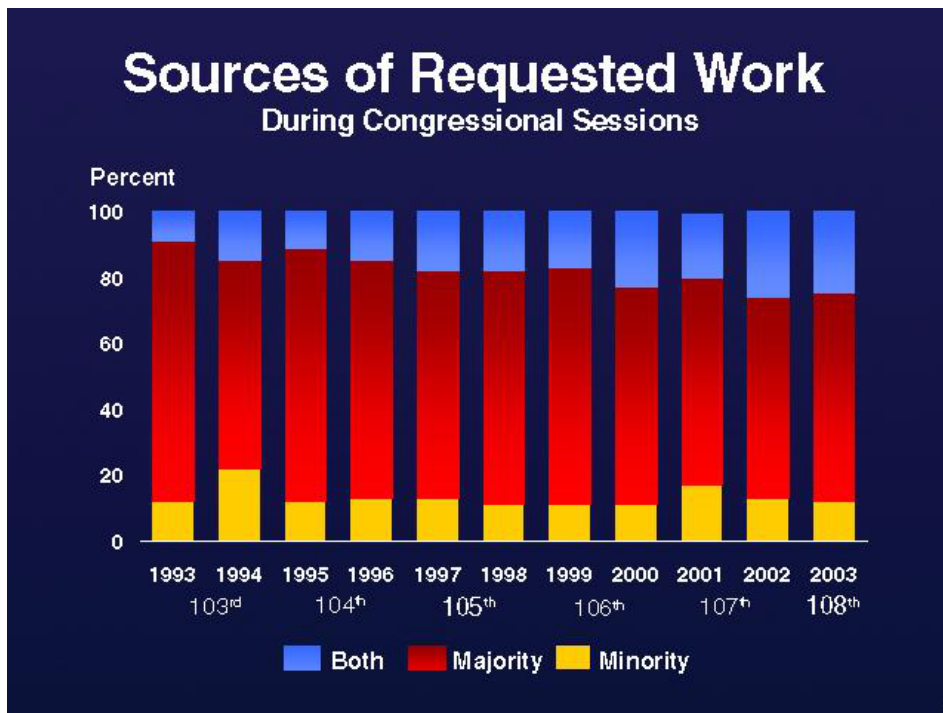


The Nature of GAO's Work



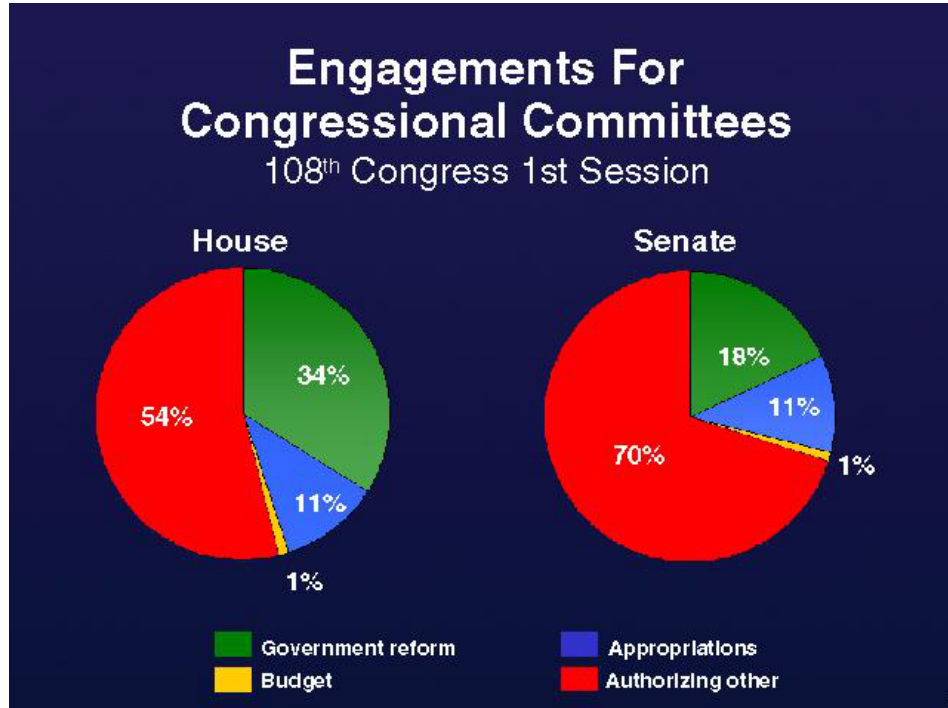


Sources of Requested Work During Congressional Sessions





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Slide 7





Slide 8



High Risk Areas	Designated High Risk
GAO's High Risk List	
Addressing Challenges in Broad-based Transformations	
Protecting Information Systems Supporting the Federal Government and The Nation's Critical Infrastructures	1997
Strategic Human Capital Management*	2001
U.S. Postal Service Transformation Efforts and Long-Term Outlook*	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs*	2003
Federal Real Property*	2003
Ensuring Major Technology Investments Improve Services	
FAA Air Traffic Control Modernization	1996
IRS Business Systems Modernization	1996
DOD Systems Modernization	1996
Providing Basic Financial Accountability	
DOD Financial Management	1996
IRS Financial Management	1996
Forest Service Financial Management	1999
FAA Financial Management	1999
Reducing Inordinate Management Program Risks	
Medicare Program*	1990
Collection of Unpaid Taxes	1990
DOD Inventory Management	1990
Student Financial Aid Programs	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Earned Income Credit Noncompliance	1996
DOD Support Infrastructure Management	1997
Medicaid Program*	2003
Pension Benefit Guaranty Corporation Single-Employer Insurance Program*	2003
Managing Large Procurement Operations More Efficiently	
DOD Weapon Systems Acquisition	1990
Department of Energy Contract Management	1990
NASA Contract Management	1990
DOD Contract Management	1992

*Additional authorizing legislation is likely to be required as one element of addressing this high risk area.



Annual Performance Measures (1998 and 2003)



Annual Performance Measures
(1998 and 2003)

Performance measure	Actual	
	FY 1998	FY 2003
Financial benefits (billions)	\$19.7	\$35.4
Other benefits	537	1043
Past recommendations implemented	69%	82%
Return on investment (ROI)	58:1	78:1
Financial benefits per employee (millions)	\$6.1	\$10.8
Timeliness	93%	97%

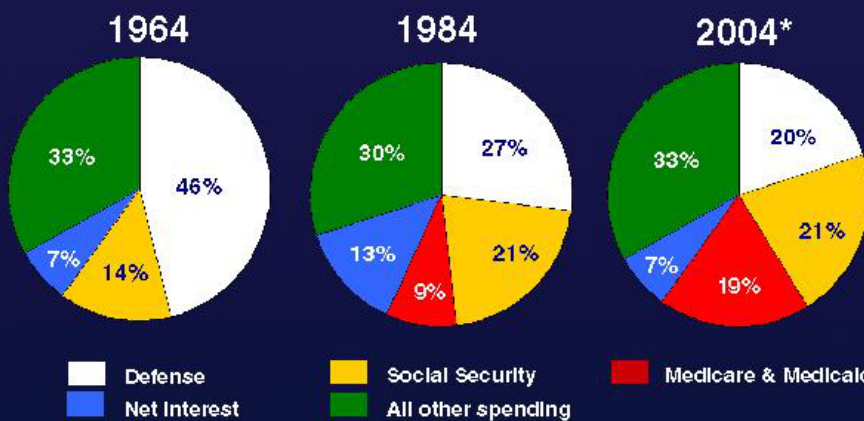
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Composition of Federal Spending



*Current services estimate.

Source: Budget of the United States Government, FY 2005, Office of Management and Budget.

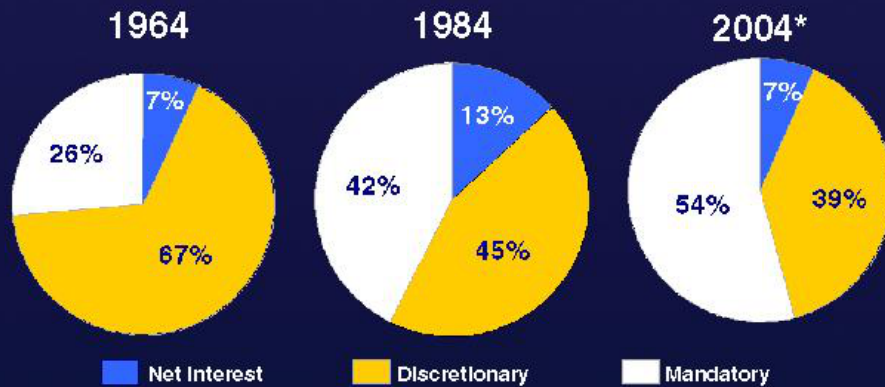
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Federal Spending for Mandatory and Discretionary Programs



*Current services estimate.

Source: Budget of the United States Government, FY 2005, Office of Management and Budget.

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Selected Fiscal Exposures: Sources and Examples (End of FY 2003)

Type	Example (dollars in billions)
Explicit liabilities	Publicly held debt (\$3,913) Military and civilian pension and post-retirement health (\$2,857) Veterans benefits payable (\$955) Environmental and disposal liabilities (\$250) Loan guarantees (\$35)
Explicit financial commitments	Undelivered orders (\$596) Long-term leases (\$47)
Explicit financial contingencies	Unadjudicated claims (\$9) Pension Benefit Guaranty Corporation (\$86) Other national insurance programs (\$7) Government corporations e.g., Ginnie Mae
Implicit exposures implied by current policies or the public's expectations about the role of government	Debt held by government accounts (\$2,859) ^a Future Social Security benefit payments (\$3,550) ^b Future Medicare Part A benefit payments (\$5,931) ^b Future Medicare Part B benefit payments (\$9,619) ^b Life cycle cost including deferred and future maintenance and operating costs (amount unknown) Government Sponsored Enterprises e.g., Fannie Mae and Freddie Mac

^a This amount includes \$74 billion in securities held by military and civilian pension funds that would offset the explicit liabilities reported by those funds.

^b Figures for Social Security and Medicare are as of January 1, 2003, and are estimated over a 75-year period. These amounts represent NPV and are net of debt held by the trust funds (\$1,378 billion for Social Security, \$235 billion for Medicare Part A, and \$34 billion for Medicare Part B). The estimate for Social Security over a 75-year horizon would be \$10.5 trillion according to the Social Security Trustees' 2003 annual report. There is no reliable horizon estimate for Medicare included in the Medicare Trustees' 2003 annual report. Medicare Part D was enacted after the end of FY 2003.

Source: GAO analysis, March 2004.

Another Way to Think About These Numbers



Another Way to Think About These Numbers

As of the End of FY 03

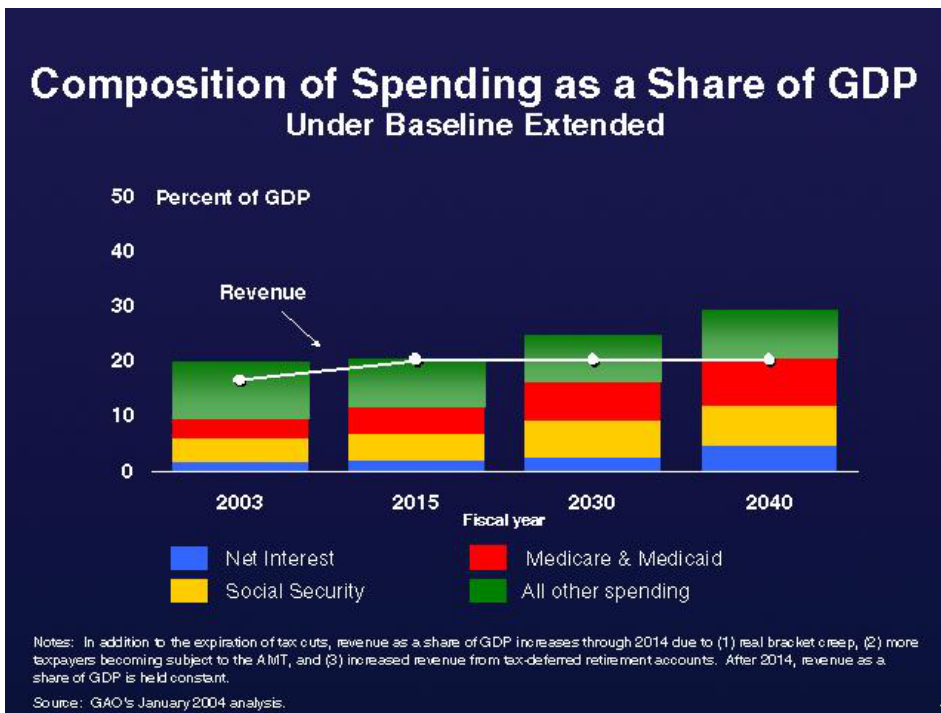
- Debt held by the public—\$3.9T
- Trust fund debt—\$2.9T
- Gross debt—\$6.8T
- Gross debt per person—about \$24,000
- If we add everything on the previous slide that is not included in gross debt, the burden per person rises to well over \$100,000. Alternatively, it amounts to a total unfunded burden of about \$30 trillion in current dollars, which is about 12 times the current annual federal budget or more than 2 ½ times the current annual GDP.

Note: The calculations only consider a 75-year horizon for Social Security and Medicare and excludes the new Medicare Part D benefit.

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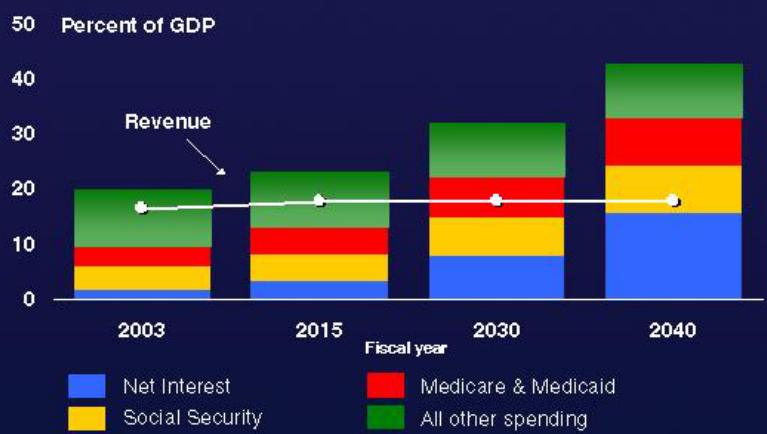




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Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2004 and All Expiring Tax Provisions Are Extended



Notes: Although expiring tax provisions are extended, revenue as a share of GDP increases through 2014 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2014, revenue as a share of GDP is held constant.

Source: GAO's January 2004 analysis.

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We Need a 3-Pronged Approach



We Need a 3-Pronged Approach

- Restructure existing entitlement programs
- Reexamine the base of discretionary and other spending
- Review and revise our tax policy and enforcement programs

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Illustrative Generic Re-examination Questions



Illustrative Generic Re-examination Questions

- Is the program, policy, function or activity a direct result of specific legislation?
- Is the current mission fully consistent with the initial or updated statutory mission (e.g., no significant mission creep or morphing)?
- Does it relate to an issue of nationwide interest? If so, is a federal role warranted based on the likely failure of private markets or state and local governments to address the underlying problem or concern? Does it encourage or discourage these other sectors from investing their own resources to address the problem?
- Have there been significant changes in the country or the world that relate to the reason for initiating it?

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Illustrative Generic Re-examination Questions

- If the answer to the last question is yes, would we enact it the same way if we were starting over today? Has it been subject to a comprehensive review, reassessment and re-prioritization by a qualified and independent entity? If so, when? Have there been significant changes since then? If so, is another review called for?
- How does it measure success? Are the measures reasonable and consistent with the applicable statutory purpose? Are the measures outcome-based, and are all applicable costs being considered? If not, what is being done to do so?
- If there are outcome-based measures, how successful is it based on these measures?
- Is it well targeted to those with the greatest needs and the least capacity to meet those needs?

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Illustrative Generic Re-examination Questions

- Is it affordable and financially sustainable over the longer term, given known cost trends and future fiscal imbalances?
- Is it using the most cost effective approaches when compared to other tools and program designs?
- If it fares well after considering all of these questions, is the responsible entity employing prevailing best practices to discharging its responsibilities and achieving its mission (e.g., strategic planning, organizational alignment, human capital strategy, financial management, technology management, acquisitions/sourcing strategy, change management, knowledge management, client/customer service)?
- What would be the likely consequences of eliminating the program, policy, function or activity? What would be the likely implications if its total funding was cut by 25%?

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Reports & Testimonies

Bid Protests & Appropriations Law

Key Issues

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Selected Major Federal Departments and Agencies: Fiscal Year 2003 Audit Results, Principal Auditors, and Number of Other Audit Contractors



Selected Major Federal Departments and Agencies: Fiscal Year 2003 Audit Results, Principal Auditors, and Number of Other Audit Contractors

23 CFO Act Agencies	Audit Results	Principal Auditor	Number of Other Audit Contractors
Agency for International Development	Unqualified	Inspector General	1
Agriculture	Unqualified	Inspector General	3
Commerce	Unqualified	KPMG LLP	0
Defense	Disclaimer	Inspector General	1
Education	Unqualified	Ernst & Young LLP	0
Energy	Unqualified	KPMG LLP	0
Environmental Protection Agency	Unqualified	Inspector General	0
General Services Administration	Unqualified	PricewaterhouseCoopers LLP	0
Health and Human Services	Unqualified	Inspector General	4
Housing and Urban Development	Unqualified	Inspector General	1
Interior	Unqualified	KPMG LLP	0
Justice	Unqualified	PricewaterhouseCoopers LLP	2
Labor	Unqualified	R. Navarro & Associates, Inc.	2
National Aeronautics and Space Administration	Disclaimer	PricewaterhouseCoopers LLP	2
National Science Foundation	Unqualified	KPMG LLP	0
Nuclear Regulatory Commission	Unqualified	R. Navarro & Associates, Inc.	0
Office of Personnel Management	Unqualified	KPMG LLP	0
Small Business Administration	Disclaimer	Cotton & Company LLP	0
Social Security Administration	Unqualified	PricewaterhouseCoopers LLP	0
State	Unqualified	Leonard G. Birnbaum and Company,	2
Transportation	Unqualified	Inspector General	2
Treasury	Unqualified	Inspector General	6
Veterans Affairs	Unqualified	Deloitte & Touche LLP	0
Other major agency			
Homeland Security	Mixed	KPMG LLP	0

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Selected Government Accountability Issues Leading by Example

- **Definition of success in financial management**
 - Clean opinion on financial statements
 - No major control weaknesses
 - No major compliance issues
 - Systems that produce timely, accurate, and useful financial and management information
- **Scope of audit**
 - Internal controls (current)
 - Compliance matters (current)
 - Performance and projection information (future)
- **Additional issues**
 - FASAB restructuring
 - Accelerated financial reporting
 - Audit/financial management committees
 - Auditor independence

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Sarbanes-Oxley Act of 2002



Sarbanes-Oxley Act of 2002

- In response to numerous corporate failures in the private sector and a loss of confidence in accountability, the Sarbanes-Oxley Act was enacted in 2002.
- The Act includes significant reforms intended to strengthen auditor independence and to improve audit quality.
- Government auditors and financial professional must get the message from the Sarbanes-Oxley Act reforms, and seize upon the opportunity to modernize our profession for the future.

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Internal Control Reporting: Implications for Government



Internal Control Reporting: Implications for Government

GAO's view on auditor opinions on internal control:

- *where appropriate*, auditor opinions on internal control are critical for monitoring an organization's internal control and accountability.
- auditor opinions on internal control are appropriate and necessary for **major public entities**.
- auditor opinions on internal control are also appropriate in cases where the process adds value and mitigates risk in a **cost beneficial** manner.

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Internal Control Opinions Implications for Government



Internal Control Opinions Implications for Government

Auditor considerations for internal control:

- Is the CFO currently in a position to attest to the effectiveness of internal control over financial reporting and subject that conclusion to audit?
- What is the level of maturity of the internal control systems in place for financial reporting (e.g., unreliable, informal, standardized, monitored, optimized)?
- What are the associated risks?
- What is the targeted level of maturity for internal controls?
 - Small, simple entities vs. large, complex entities

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GAO and OIG Coordination Towards Future Opinion on the Consolidated Financial Statements



GAO and OIG Coordination Towards Future Opinion on the Consolidated Financial Statements

- CFO Act provides GAO with the authority to conduct agency financial statements audits
- Accelerated reporting dates increase the need for enhanced GAO-OIG coordination
- GAO, OIG, and IPAs will need to interact more, beginning in the planning phase

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GAO and OIG Coordination



GAO and OIG Coordination

- Conformity of GAO's, OIG's, and IPAs' audit work with the GAO/PCIE Financial Audit Manual
- Unrestricted access to OIG's and IPAs' audit documentation and personnel throughout the agency financial statements audits

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U.S. Auditing Standards Coordinating Forum



U.S. Auditing Standards Coordinating Forum

- Composed of PCAOB, GAO, ASB (AICPA)
- Meets several times each year, with ongoing staff coordination
- Maximizes complementary standards setting agendas
- Minimizes duplicative or competing efforts where possible
- Works toward consistency where appropriate
- Identifies any significant gaps not being addressed
- Develops strategies for modernizing the auditing profession in the U.S. and coordinating globally

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Excerpts From the 103rd American Assembly Report: The Future of the Accounting Profession



Excerpts From the 103rd American Assembly Report: The Future of the Accounting Profession

- Structural Challenges Facing the Accounting Profession:
 - Rules-based versus principles-based standards
 - A revised and expanded financial reporting model
 - New and enhanced audit and attestation standards
 - The number of major accounting/audit firms
 - A balanced approach to auditor liability and accountability
 - Valuing quality audits and audit personnel
 - Reinvigorating audit committees
 - Preparing for the future—the talent search

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Three Key Ingredients Needed for These Challenging and Changing Times



Three Key Ingredients Needed for These Challenging and Changing Times

- **Leadership**
- **Integrity**
- **Innovation**

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Key Transformation Elements

- People
- Process
- Partnerships
- Technology
- Environment

The most important of the five is **PEOPLE** — an agency's human capital.



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How GAO Has Addressed Its Human Capital Challenges



How GAO Has Addressed Its Human Capital Challenges

Administrative

- HQ realignment & field office restructuring
- Self-assessment checklist
- Human capital profile
- Workforce & succession planning
- Employee feedback survey & suggestion program
- Employee Advisory Council
- Enhanced employee communications & participation
- Skills & knowledge inventory
- Employee preference survey
- Frequent flyer miles
- Student loan repayment
- Recruiting & college relations
- Training/development
- Recognition & rewards
- Flexitime & flexiplace
- Business casual dress & business cards
- Enabling technologies
- Opportunity/inclusiveness
- Mentor/buddy programs
- Commuting subsidy
- Competency-based employee appraisal system
- Human Capital Officer
- Office of Opportunity & Inclusiveness

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Legislation Addressing GAO's Human Capital Challenges



Legislation Addressing GAO's Human Capital Challenges

Past

- Broad-banding system for mission staff
- Expedited hiring authority (e.g., internship program)
- Special pay rates
- Senior level for technical staff
- Targeted early out and buyout authority (3 years)
- Revised RIF rules

Pending

- Targeted early out and buyout authority (permanent)
- Annual pay adjustment rates
- Pay retention provisions
- Relocation benefits
- Increased annual leave for upper level employees
- Executive exchange program
- Re-designation of "General Accounting Office" to "Government Accountability Office"

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Benchmarking Results for 2003



Benchmarking Results for 2003

- GAO exceeded the government-wide average in 9 of 11 OPM benchmark questions, and it exceeded the private sector benchmark in all 4 questions, as shown below.

	Benchmarking Results		
	Private Industry 1999-2000	OPM 2002	GAO 2003
Personal Experiences			
I am given a real opportunity to improve my skills in my organization	59%	57%	66%
My job makes good use of my skills and abilities	70%	64%	71%
My work gives me a feeling of personal accomplishment	68%	70%	79%
Considering everything, how satisfied are you with your job?	67%	68%	74%

Source: Federal Human Capital Survey 2003 analysis, excluding GAO column.

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