

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GIAO



# Performance and Accountability Report

## Fiscal Year 2014

SERVING CONGRESS AND THE NATION

# S E R V I N G   T H E   C O N G R E S 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.

## **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.



Source: GAO | GAO-15-1SP

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# How to Use This Report

This report describes the U.S. Government Accountability Office's performance measures, results, and accountability processes for fiscal year 2014. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our website at <http://www.gao.gov/about/performanceaccountabilityreport/overview>.

This report has an introduction, four parts, and supplementary appendixes as follows:

## Introduction

This section includes the letter from the Comptroller General and a statement attesting to the completeness and reliability of the performance and financial data in this report and the effectiveness of our internal control over financial reporting. This section also includes a summary discussion of our mission, strategic planning process, organizational structure, strategies we use to achieve our goals, and process for assessing our performance.

## Management's Discussion and Analysis

This section discusses our agency-wide performance results and use of resources in fiscal year 2014. It also includes information on our internal controls and the management challenges and external factors that affect our performance.

## Performance Information

This section includes details on our performance results by strategic goal in fiscal year 2014 and the targets we are aiming for in fiscal year 2015. It also includes a summary of our program evaluation for fiscal year 2014.

## Financial Information

This section includes details on our finances in fiscal year 2014, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and Audit Advisory Committee. This section also includes an explanation of the information each of our financial statements conveys.

## Inspector General's View of GAO's Management Challenges

This section includes our Inspector General's perspective of our agency's management challenges.

## Appendixes

This section provides the report's abbreviations and describes how we ensure the completeness and reliability of the data for each of our performance measures.

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GAO



# Introduction

SERVING CONGRESS AND THE NATION



Source: GAO | GAO-15-1SP

November 17, 2014

I am pleased to present GAO's Performance and Accountability Report for fiscal year 2014. As these results show, GAO continues to effectively fulfill its mission, which is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people. Examples of how GAO's work resulted in a variety of financial and other benefits to the Congress and American taxpayers in fiscal year 2014 are described below.

**Financial Benefits:** During the past fiscal year, we documented \$54.4 billion in financial benefits for the government—a return of about \$100 for every dollar invested in us. GAO's recommendations that resulted in these financial benefits included reducing procurements of the Joint Strike Fighter (\$11.7 billion in financial benefits), eliminating the introduction of new Army camouflage uniforms (avoiding costs of about \$4.2 billion), and revising the reimbursement structure in Medicare Part B to reduce costs (about \$2 billion).

**Legislative Impacts:** The Congress used our work on a broad range of issues to inform its decisions on important legislation, which also resulted in financial and other benefits for the government. For example some of the key decisions on the fiscal year 2014 budget (the Bipartisan Budget Act of 2013) that were linked to GAO's work included:

- Expanding the risk-based element of the Pension Benefit Guaranty Corporation's premium rate structure to increase revenues and offset direct spending by \$7.9 billion over 10 years.
- Improving the cost-effectiveness of filling the Strategic Petroleum Reserve resulting in estimated savings of \$3.2 billion over 10 years.
- Reducing overpayments for unemployment insurance by \$159 million over 10 years by identifying fraud or failure to report earnings.
- Reducing improper payments to inmates for disaster relief and other assistance resulting in savings of \$80 million over 10 years.

Other legislative impacts related to our work included efforts to increase aviation security fees to cover 43 percent of aviation security costs beginning in fiscal year 2014; capping compensation for federal contractors; improving the transparency of federal spending through passage of the Digital Accountability and Transparency Act; terminating fixed farm payments with expected savings of approximately \$4.9 billion annually for the next five years, starting in fiscal year 2015; establishing a new oversight framework for the President's Emergency Plan for AIDS relief; and enhancing oversight of dietary supplements.

Other Benefits: Many of the benefits resulting from our work can not be measured in dollars, but led to program and operational improvements across the government. During fiscal year 2014, we recorded 1,288 of these other benefits. Our work led to improvements in numerous areas affecting public safety and security and the efficient and effective functioning of government programs. Examples of actions taken by government agencies in response to our work include:

- Better guidance and oversight to ensure complete documentation of investigations into abuse allegations at immigration detention facilities.
- An improved cybersecurity governance structure to ensure that federal agencies' efforts to educate the nation's cybersecurity workforce are effective.
- Strengthened oversight of international food aid to ensure that targeted assistance reaches vulnerable groups, such as children and pregnant women, in other countries.
- Enhanced security of diplomatic facilities and personnel overseas, including improvements to security standards and efforts to mitigate vulnerabilities.
- Better sharing of terrorism-related information with federal and non-federal partners, and enhanced efforts to identify and narrow gaps in information sharing.
- Informed decisionmaking on the future of nanomanufacturing, including research and development, U.S. competitiveness, and environmental, health, and safety concerns.
- Improved transparency regarding how sequestration decisions were implemented so that agencies can better plan for such events if they occur in the future.

This past fiscal year, GAO also issued revised internal control standards for the federal government and made significant contributions to international auditing standards.

Building Bodies of Knowledge: Through the products we issued in fiscal year 2014, we continued to build on bodies of work under our three broad strategic goals to (1) address current and emerging challenges to the well-being and financial security of the American people, (2) help respond to changing security threats and global interdependence, and (3) help transform the federal government to address national challenges. Work completed in these areas included:

- Protection of children. We reported on the need for improvements to school lunches, guidance for states on the use of psychotropic drugs for children in foster care, and preventing sexual abuse of students by school personnel.
- Veterans. We reported on out-patient medical care, purchasing and tracking of surgical implants, cost increases and schedule delays in constructing and leasing VA medical facilities, and the accuracy and quality of processing disability claims for veterans.
- Health care. We continued to report on the implementation of the Patient Protection and Affordable Care Act (e.g., [HealthCare.gov](http://HealthCare.gov)), drug shortages, Internet pharmacies selling counterfeit drugs, Medicare fraud, Medicaid financing, and nursing home care.
- Financial literacy. We reported on retirement security, managed retirement accounts, student loans, college debit cards, and lump sum payment pension scams.

- Fragmentation, overlap, and duplication. We issued our fourth annual report identifying 26 new areas and 64 actions that could reduce fragmentation, overlap, and duplication, as well as other cost savings and revenue enhancement opportunities across the federal government. This work identifies opportunities for the federal government to save billions of dollars. Federal agencies and the Congress have already made some progress in addressing approximately 380 actions across 162 areas that we identified in our past annual reports.
- High-risk areas. We continued to monitor federal operations that we had previously designated as “high risk” and conducted outreach with the Office of Management and Budget and executive branch agencies to discuss how to make progress in these areas. In fiscal year 2014, our high-risk work resulted in 153 reports, 43 testimonies, \$23.9 billion in financial benefits, and 455 other benefits.

### Serving Our Clients

During this fiscal year, we received requests for work from 94 percent of the standing committees of the Congress and two-thirds of their subcommittees. We issued 693 reports and made 1,619 new recommendations. Of the recommendations that we made in 2010, 78 percent were implemented—we use a 4-year reporting window because it generally takes four full years to implement our cycle for recommendations. Our senior executives testified at 129 hearings before 70 separate committees or subcommittees that touched virtually all major federal agencies. Key testimony topics included veterans’ wait times for outpatient medical appointments, oversight of U.S. assistance to Afghanistan, contract planning and oversight of [HealthCare.gov](http://HealthCare.gov), optimizing information technology investments, federal fiscal exposure from climate risks, government support for large bank holding companies, defense acquisitions, and biosafety lapses in high-containment laboratories. I also met with 21 Chairs and Ranking Members of congressional committees and subcommittees to obtain their views on GAO’s work, including their priorities, and to discuss challenges and opportunities facing GAO.

### Supporting Our People

Through the hard work and dedication of our professional, diverse, and multidisciplinary staff, we achieved 95 percent on-time delivery of our products in 2014. Our performance measures continue to indicate that our staff have the support they need to produce high-quality work. We exceeded the annual targets for all of our people measures—staff development, staff utilization, effective leadership by supervisors, organizational climate, new hire rate, and retention rates (with and without retirements). We exceeded our new hire rate (88 versus 75 percent), but we fell short of our goal of hiring 360 staff—filling 317 positions by year-end. Yet, we made important strides towards meeting our optimal full-time equivalent staffing level of 3,250, we continued to be ranked near the top on “best places to work” lists, and were ranked number one among mid-size federal agencies for our support of diversity.

### Managing Our Internal Operations

In fiscal year 2014, we continued to make efforts to support our fourth strategic goal—enhancing our value through improving efficiency, effectiveness, and quality, and focusing on institutional stewardship and resource management. Specifically, we made progress in addressing our two internal management challenges—human capital management and engagement efficiency. We also identified an additional management challenge this year—

information security. For human capital management, we recruited and filled critical positions and began building our pool of new analysts to meet both current work demands and future leadership needs. This is critically important to our succession planning as 38 percent of our executive leadership and 21 percent of our supervisory analysts are currently eligible to retire. To improve engagement efficiency, we piloted an updated engagement management process and a companion new information management system to streamline the way in which we conduct our work—positioning us to implement these efficiencies GAO-wide in 2015.

After consultation with our clients and other key stakeholders, we issued our new Strategic Plan for fiscal years 2014-2019 that maps out the future path for our work. We again received from independent auditors an unmodified or “clean” opinion on our financial statements for fiscal year 2014, a clean opinion on our internal control over financial reporting, and a clean opinion on the effectiveness and appropriateness of our quality assurance framework from our fourth external peer review conducted by a team of international auditors.

We look forward to continuing to serve the Congress and the public in the coming years through our work on issues and programs affecting the lives of all Americans.



Gene L. Dodaro  
Comptroller General  
of the United States

# Financial Reporting Assurance Statements

November 17, 2014

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 accordance 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.

We are also responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Our internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles.

We evaluated the effectiveness of our internal control over financial reporting as of September 30, 2014, consistent with the criteria in 31 U.S.C. 3512 (c), (d), commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA) and in Appendix A of Office of Management and Budget (OMB) Circular No A-123, *Management's Responsibility for Internal Control*. Based on that evaluation, we conclude that, as of September 30, 2014, our internal control over financial reporting was effective and that no material weaknesses exist in the design or operation of internal control over financial reporting.

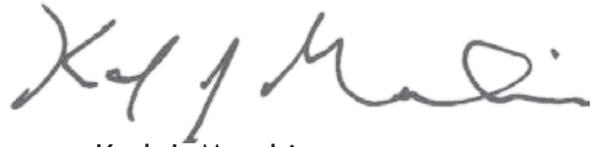
On the basis of our comprehensive management control program, we are pleased to certify, with reasonable assurance, the following:

- Our financial reporting is reliable and complete. Transactions are (1) 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; and (2) executed in accordance with laws governing the use of budgetary authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.
- Our performance reporting is reliable and complete. Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information consistent with the criteria set forth in the Government Performance and Results Act, as amended, (GPRA) and related OMB guidance.

We also believe that (1) these same systems of accounting and internal control provide reasonable assurance that we are in compliance with FMFIA and (2) we have implemented and maintained financial systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level consistent with the requirements in the Federal Financial Management Improvement Act (FFMIA) and OMB guidance. These are objectives that we set for ourselves even though, as part of the legislative branch of the federal government, we are not legally required to do so.



Gene L. Dodaro  
Comptroller General  
of the United States



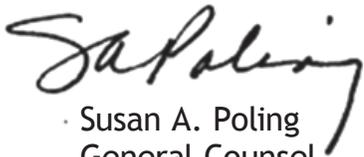
Karl J. Maschino  
Chief Administrative Officer/  
Chief Financial Officer



Patricia A. Dalton  
Chief Operating Officer



William L. Anderson  
Controller



Susan A. Poling  
General Counsel



Source: GAO | GAO-15-1SP

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. 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) also referred to as FIA, the Government Performance and Results Act (GPRA), as amended, and the Federal Information Security Management Act (FISMA).<sup>1</sup> Accordingly, this performance and accountability report for fiscal year 2014 provides what we consider to be information comparable to that reported by executive branch agencies in their annual performance and accountability reports. This report also fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.

### 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 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—performance audits—which include

- evaluations of federal policies, programs, and the performance of agencies;
- oversight of government operations to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws; and
- policy analyses to assess needed actions and the implications of proposed actions.

## 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,

<sup>1</sup>FMFIA was enacted to strengthen internal controls and accounting systems in the federal government and requires the Comptroller General to issue standards for internal control in the federal government. GPRA 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 GPRA Modernization Act of 2010 incorporates additional requirements for reporting and transparency. FISMA requires federal agencies to implement policies and procedures to cost-effectively reduce information technology risks.

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.

## Strategic Planning and Management Process

To accomplish our mission, we use a strategic planning and management process that is based on a four-tiered hierarchy—strategic goals (the highest tier) followed by strategic objectives, performance goals, and key efforts. Each strategic goal is comprised of strategic objectives, for which there are specific strategies taking the form of performance goals, each of which has a set of key efforts. The text box below provides an example from one of our strategic goals.

In February 2014, we issued our strategic plan for fiscal years 2014 through 2019—describing our proposed goals and strategies for supporting the Congress and the nation and identifying seven broad trends that provide context for the plan. We identified these trends based on a review of external literature, discussions with outside advisors and selected experts, and input from our mission teams based on their discussions with congressional clients and their institutional knowledge. Our four strategic goals and their related strategic objectives support these trends. Our audit and investigative work is aligned primarily under the first three strategic goals, which span domestic and international issues affecting the lives of all Americans. Our fourth goal is focused on improving our internal operations. See [Figure 1](#) for our strategic plan framework.

### An Example of Our Four-tiered Strategic Planning Process

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

**Strategic Objective:** Lifelong Learning to Enhance U.S. Competitiveness

**Performance Goal:** Assess policy and administrative challenges to improving school readiness and K-12 education to better prepare youths for college and the workforce

**Key Efforts:**

- Evaluate the costs, coordination, potential overlap, and availability of child care, early childhood education, and K-12 programs.
- Assess efforts to improve disadvantaged populations' academic outcomes.
- Evaluate federal efforts to oversee and manage education initiatives, particularly in science, technology, engineering, and mathematics.

We use our strategic plan as a blueprint to lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs and allocate our resources. Any revisions to our strategic plan or resource allocations are disclosed in our annual performance plans, which are available—along with our strategic plan—on our website (<http://www.gao.gov/about/strategic.html>).

Figure 1: GAO’s Strategic Plan Framework



# 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.

### Trends Shaping the United States and Its Place in the World

National Security Trends	Fiscal Sustainability and Debt Challenges	Global Interdependence	Science and Technology Trends	Communication Networks and Information Technologies	Shifts in Governance and Government	Demographic and Societal Changes
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Goals	Objectives
<p><b>Provide Timely, Quality Service to the Congress and the Federal Government to...</b></p> <p style="padding-left: 20px;"><b>Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...</b></p>	<ul style="list-style-type: none"> <li>■ Health care needs</li> <li>■ Lifelong learning</li> <li>■ Challenges facing an aging population</li> <li>■ Effective system of justice</li> <li>■ Housing finance and viable communities</li> </ul> <ul style="list-style-type: none"> <li>■ Stable financial system and sufficient consumer protection</li> <li>■ Natural resources and the environment</li> <li>■ National infrastructure</li> <li>■ Benefits and protections for workers, families, and children</li> </ul>
<p><b>Respond to Changing Security Threats and the Challenges of Global Interdependence involving...</b></p>	<ul style="list-style-type: none"> <li>■ Homeland security</li> <li>■ Military capabilities and readiness</li> </ul> <ul style="list-style-type: none"> <li>■ Foreign policy and international economic interests</li> </ul>
<p><b>Help Transform the Federal Government to Address National Challenges by assessing...</b></p>	<ul style="list-style-type: none"> <li>■ Government’s fiscal position and approaches to address current and projected fiscal gaps</li> <li>■ Federal government audit and internal control standards</li> </ul> <ul style="list-style-type: none"> <li>■ Major management challenges and program risks</li> <li>■ Fraud, waste, and abuse, and improvements in internal controls</li> </ul>
<p><b>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on...</b></p>	<ul style="list-style-type: none"> <li>■ Efficiency, effectiveness, and quality</li> <li>■ Diverse workforce and inclusive work environment</li> </ul> <ul style="list-style-type: none"> <li>■ Networks, collaborations and partnerships</li> <li>■ Human, information, fiscal, technological, and physical resources</li> </ul>

### CORE VALUES

Accountability	Integrity	Reliability
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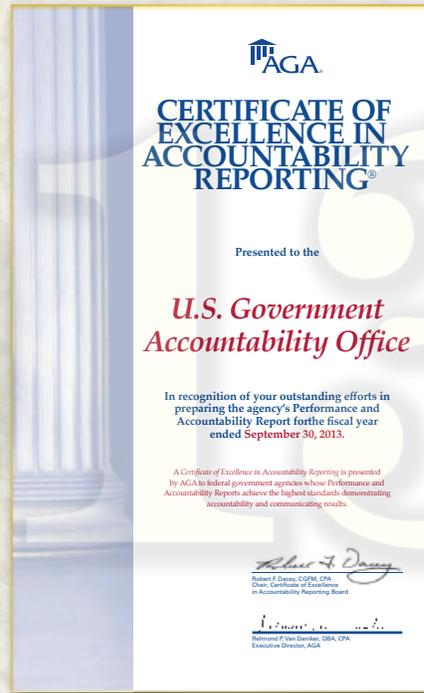
Source: GAO | GAO-15-1SP

Figure 2: GAO's Performance and Accountability Report Awards

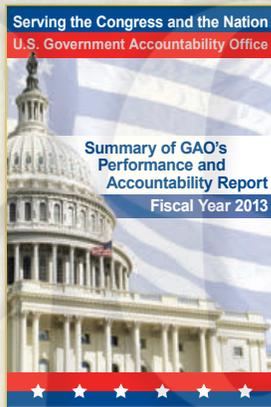
# Awards

## CEAR Award

Last year, the Association of Government Accountants awarded us for the 13th consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2013 performance and accountability report. We also received the American Inhouse Design Award for our summary performance and accountability report from Graphic Design USA.



## American Inhouse Design Award



## Organizational Structure

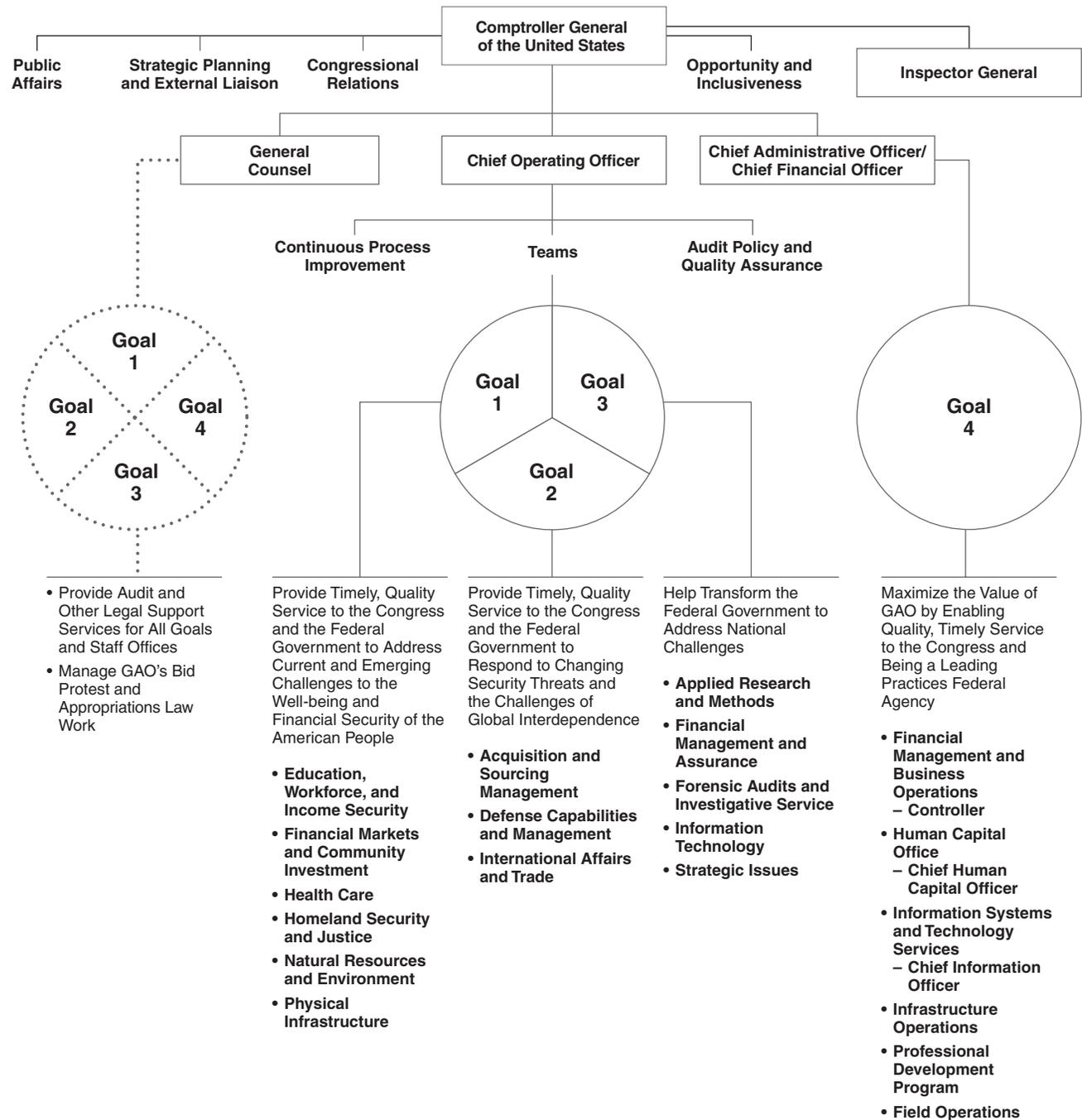
As the Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On December 22, 2010, he was confirmed as Comptroller General after serving as the Acting Comptroller General since March 2008. Prior to that, Mr. Dodaro served as GAO's Chief Operating Officer for 9 years. Three other executives join Comptroller General Dodaro to form our Executive Committee: Chief Operating Officer Patricia A. Dalton, Chief Administrative Officer/Chief Financial Officer Karl J. Maschino, and General Counsel Susan A. Poling.

To achieve our strategic goals, our staff is organized as shown in [figure 3](#). For the most part, our 14 evaluation, audit, research, and investigative teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. In addition to this work, the Forensic Audits and Investigative Service team (FAIS) follows up on engagements and referrals from our other teams when its special services are required for specific fraud allegations or for assistance in evaluating security matters. FAIS also manages FraudNet, which is our online system created for the public to report to GAO allegations of fraud, waste, abuse, or mismanagement of federal funds. FAIS is an integrated unit composed of investigators, analysts, and auditors who have experience with forensic auditing and data mining assisted by staff in our Office of General Counsel.

Senior executives in the teams manage a portfolio of engagements to ensure that we meet the Congress's need for information quickly on emerging issues as we also continue longer-term work that flows from our strategic plan. To serve the Congress effectively with a finite set of resources, senior managers consult with our congressional clients and determine the timing and priority of engagements for which they are responsible.

As described below, our General Counsel's office supports the work of all of our teams. In addition, the Applied Research and Methods team assists the other teams on matters requiring expertise in areas such as economics, research design, statistical analysis, and science and technology. Staff in many offices, such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, Public Affairs, and the Chief Administrative Office, support the efforts of the teams. This matrixed structure increases our effectiveness, flexibility, and efficiency in using our expertise and resources to meet congressional needs on complex issues.

**Figure 3: Organizational Structure**



Source: GAO | GAO-15-1SP

Notes: The structure of the Office of General Counsel largely mirrors the agency's goal structure, and attorneys who are assigned to goals work with the teams on specific engagements. Thus, the dotted lines in this figure indicate General Counsel's support of or advisory relationship with the goals and teams, rather than a direct reporting relationship.

Our mission teams often do work that falls outside of their primary goal assignment. For example, work conducted by the Homeland Security and Justice team frequently falls under Goal 2 when it conducts work related to responding to changing national security threats. Similarly, our Acquisition and Sourcing Management team falls under Goal 2, but performs significant work under Goal 3.

The Office of General Counsel is structured to facilitate the delivery of legal services to the teams and staff offices that support our four strategic goals. This structure allows General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the goal 1, goal 2, and goal 3 legal groups are organized to provide each of the audit teams with a corresponding team of attorneys dedicated to supporting each team's needs for legal services. In addition, these groups prepare advisory opinions for committees and members of the Congress on agency adherence to laws applicable to their programs and activities. The Legal Services group provides in-house support to our management on a wide array of human capital matters and initiatives and on information management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on the availability and use of appropriated funds.

For strategic goal 4, our only internal strategic goal, staff in our Chief Administrative Office take the lead. Our Office of Continuous Process Improvement, established in fiscal year 2012, leads the agency's efforts to improve efficiency and effectiveness of the work conducted by our mission and mission support operations. Other teams and offices across GAO including the Applied Research and Methods team and the Office of Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, and Public Affairs assist in achieving specific key efforts. In addition, attorneys in the General Counsel's office, primarily in the Legal Services group, provide legal support for goal 4.

In September 2008, the Government Accountability Office Act of 2008 was enacted establishing the Office of the Inspector General (IG) of GAO as a statutory office within the agency. The IG is appointed by and reports to the Comptroller General. The IG is responsible for conducting audits and investigations relating to the administration of our programs and operations and for making recommendations to promote its economy, efficiency, and effectiveness. The IG also keeps the Comptroller General and the Congress fully informed through semiannual reports that describe the IG's findings. In addition, the IG investigates allegations from our employees and other interested parties concerning activities within GAO that may constitute the violation of any law, rule, or regulation; mismanagement; or a gross waste of funds or other wrongdoing.

We maintain a workforce with training in many disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About 71 percent of our approximately 3,000 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country (see [fig. 4](#)). Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

**Figure 4: GAO's Office Locations**

Source: See Image Sources

## Strategies for Achieving Our Goals

GPRa directs agencies to articulate not just goals, but also strategies for achieving those goals. As detailed in [Part I](#) of this report, we emphasize two overarching strategies for achieving our goals: (1) providing information from our work to the Congress and the public in a variety of forms and (2) continuing to strengthen our human capital and internal operations. Specifically, our strategies emphasize the importance of working with other organizations on crosscutting issues and effectively addressing the challenges to achieving our agency's goals and recognizing the internal and external factors that could impair our performance. Through these strategies, which have proved successful for us for a number of years, we plan to achieve the level of performance that is needed to meet our performance measures and goals and to achieve our four broad strategic goals.

Attaining our three external strategic goals (1, 2, and 3) and their related objectives rests, for the most part, on providing accurate, professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information to support the Congress in carrying out its constitutional responsibilities. To implement these performance goals and key efforts related to the three goals, we develop and present information in a number of ways, including

- evaluations of federal policies, programs, and the performance of agencies;
- oversight of government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigations to assess whether illegal or improper activities are occurring;
- analyses of the financing for government activities;
- constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward positive results;
- legal opinions that determine whether agencies are in compliance with applicable laws and regulations;

- policy analyses to assess needed actions and the implications of proposed actions; and
- additional assistance to the Congress in support of its oversight and decision-making responsibilities.

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and committee reports. In fiscal year 2014, we devoted 96 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 4 percent of the engagement resources to work initiated under the Comptroller General's authority. Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the war in Afghanistan; follow-up on our 2013 fragmentation, overlap, and duplication report; and the federal, state, and local government fiscal outlook.<sup>2</sup> Our reviews of government programs and operations have identified those programs that are at high risk for fraud, waste, abuse, and mismanagement as well as reviews of agencies' budget requests help us support congressional decision making. These reviews will support our biennial high-risk report, which will be updated in 2015. 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.

Our staff are responsible for following high standards for gathering, documenting, and supporting the information we collect and analyze. This information is usually presented in products that are made available to the public. Over the past 5 years, we have issued, on average, 875 products, primarily in an electronic format. In addition, we publish about 300 to 400 legal decisions and opinions. In some cases, we develop products that contain classified or sensitive information that cannot be made available publicly. Our products include:

- reports and written correspondence;
- testimonies and statements for the record, where the former are delivered orally by one or more of our senior executives at a congressional hearing and the latter are provided for inclusion in the congressional record;
- briefings, which are usually given directly to congressional staff members; and
- legal decisions and opinions resolving bid protests and addressing issues of appropriations law, as well as opinions on the scope and exercise of authority of federal officers.

We also produce special publications on specific issues of general interest to many Americans, such as our reports on the fiscal future of the United States and our decisions on federal bid protests.<sup>3</sup> Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource on federal case law related to the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports on Antideficiency Act violations and make available on our website information extracted from those reports. Collectively, our products contain information and often conclusions and recommendations that allow us to achieve our

<sup>2</sup>GAO, *The Federal Government's Long-Term Fiscal Outlook: Spring 2013 Update*, [GAO-13-481SP](#) (Washington, D.C.: Apr. 11, 2013).

<sup>3</sup>GAO, *Bid Protest Annual Report to the Congress for Fiscal Year 2013*, [GAO-14-276SP](#) (Washington, D.C.: Jan. 2, 2014); and GAO, *Principles of Federal Appropriations Law: Annual Update of the Third Edition*, [GAO-14-163SP](#) (Washington, D.C.: Mar. 13, 2014).

external strategic goals. Such special publications are valuable planning tools because they help us to identify areas of focus on important policy and management issues facing the nation.

Another means of ensuring that we are achieving our goals is by examining the impact of our past work and using that information to shape our future work. Consequently, we evaluate actions taken by federal agencies and the Congress in response to our past recommendations. The results are reported in terms of financial benefits and other benefits. 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 (<http://www.gao.gov/openrecs.html>).

To attain our fourth strategic goal—an internal goal—and its four related objectives, we implement projects to address the key efforts in our strategic plan. We conduct surveys of our congressional clients and internal customers to obtain feedback on our products, processes, and services and identify ways to improve them. We also perform internal management studies and evaluations.

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 maintain strategic working relationships with other national and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other national audit offices.

These types of strategic working relationships allow us to extend our institutional knowledge and experience; leverage our resources; and in turn, improve our service to the Congress and the American people. Our Strategic Planning and External Liaison office 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.

## How We Measure Our Performance

To help us determine how well we are meeting the needs of the Congress and maximizing our value as a leading practices organization, we assess our performance annually using a balanced set of quantitative performance measures that focus on four key areas—results, client, people, and internal operations. These categories of measures are briefly described below.

- **Results.** Focusing on results and the effectiveness of the processes needed to achieve them is fundamental to accomplishing our mission. To assess our results, we measure financial benefits, other benefits, recommendations implemented, and percentage of new products with recommendations. Financial benefits and other benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred or are expected to occur 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 and other (nonfinancial and nonquantifiable) benefits. For financial benefits and other benefits, we first set targets for the agency as a whole, and

then we set targets for each of the external goals (1, 2, and 3) to reach the agency-wide targets. For past recommendations implemented and percentage of products with recommendations, we set targets and report performance for the agency as a whole because we want to encourage consistent performance across goals. Internally, we track our performance by strategic goal in order to understand why we meet or do not meet the agency-wide 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 for improvement.

- **Client.** To measure how well we are serving our client, we capture the number of congressional hearings where we are asked to present expert testimony and our timeliness in delivering products to the Congress. We use an electronic client feedback form to collect data on the services we are providing to our congressional clients. We set a target at the agency-wide level for the number of hearings and then assign a portion of these hearings as a target for each of the external goals (1, 2, and 3) based on that goal's expected contribution to the agency-wide total. We base this target on our assessment of the congressional calendar and hearing trend data. As in measuring the results of our work, we track our progress on this measure at the goal level in order to understand where we met or did not meet the agency-wide target. We set an agency-wide target for timeliness because we want our performance on this measure to be consistent across goals.
- **People.** As our most important asset, our people define our character and capacity to perform our work. A variety of data sources, including an internal survey, provide information to help us measure how well we are attracting and retaining high-quality staff and how well we are developing, supporting, using, and leading staff. We set targets for these measures at the agency-wide level.
- **Internal operations.** GAO's ability to carry out its mission and retain a skilled and talented workforce is supported by our administrative services, including information management, infrastructure operations, human capital, and financial management. Through an internal customer satisfaction survey, we gather information on three areas of interest: (1) how well our internal operations help employees get their jobs done, (2) how our internal operations improve employees' quality of work life, and (3) how satisfied employees are with our IT tools. Examples of surveyed services include information security, pay and benefits, building security and maintenance, and telework/mobility tools. We set targets for these measures at the agency-wide level.

## Setting Performance Targets

To establish targets for all of our measures, we consider our past performance, including recent patterns and 4-year rolling averages, as well as known upcoming events for most of our results measures (see [p.130](#)) and the external factors that influence our work. Some external factors are not in our control, such as the pace at which agencies implement our recommendations and the number of hearings at which we are asked to testify (see [p.62](#)). Based on this information, the teams and offices that are directly engaged in the work discuss with our top executives their views of what we have planned to accomplish in the strategic plan and what they believe they can accomplish in the upcoming fiscal year. Our Executive Committee then establishes targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.<sup>4</sup> We may adjust these targets after they are initially published when our expected future work or level of funding warrants doing so. If we make changes, we include the changed targets in later documents, such as this performance and accountability report, and indicate that we have changed them and why this was done. In [Part V](#), we include detailed information on data sources that we use to assess each of these measures, as well as the steps we take to verify and validate the data.

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On the pages that follow, we assess our performance for fiscal year 2014 against our previously established performance targets. We also present our financial statements, our Audit Advisory Committee's report, the independent auditor's report, and a statement from GAO's Inspector General.

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<sup>4</sup>Our most current plan is available at <http://www.gao.gov/products/GAO-14-1SP>

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GAO



# Part I

## Management's Discussion and Analysis

SERVING CONGRESS AND THE NATION



Source: GAO | GAO-15-1SP

## Assisting the Congress and Benefiting the Nation during Challenging Times

In fiscal year 2014, demand for our work was high with 892 congressional requests and new mandates. Our work in key areas helped inform the Congress and the administration on issues relevant to all Americans. This section contains information on

### Overall performance toward our goals

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- Our results goals
- Our client goals
- Our people goals
- Our internal operations

### Other Ways GAO Served Congress and the American People

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- GAO's High Risk Program
- Opportunities to Reduce Fragmentation, Overlap, and Duplication, Achieve Savings, and Enhance Revenue
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- The Patient Protection and Affordable Care Act
- The Troubled Asset Relief Program
- General Counsel Decisions and Other Legal Work

### Strategic Planning and Partnerships

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### Managing Our Resources

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### Management Challenges

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## Overall performance toward our goals

The results of our efforts are reflected in our solid performance in fiscal year 2014 (see [table 1](#)).

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### Results:

We exceeded our target of \$45 billion in financial benefits by \$9.4 billion—reaching about \$54.4 billion. This represents a \$100 return on every dollar the Congress invested in us. We also exceeded our target of 1,200 other benefits by 88 benefits, accomplishing 1,288 benefits. We fell short of meeting our target of 80 percent for past recommendations implemented by 2 percentage points—finishing the fiscal year at 78 percent. We exceeded our target of 60 percent for new products with recommendations by 4 percentage points, with 64 percent of new products containing recommendations.

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### Clients:

We exceeded our target of 90 percent for delivering our products and testimonies in a timely manner by 5 percentage points—reaching 95 percent on time delivery for fiscal year 2014. We were asked to testify at 129 hearings, falling just one hearing short of our fiscal year 2014 target of 130 hearings. This was due to fewer than anticipated hearings being held, which is a factor not in our control. Despite this shortfall, we were asked to testify at 13 percent more hearings than last year—reversing a 5-year downward trend.

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### People:

We exceeded our annual targets for our people measures, including staff development, staff utilization, effective leadership by supervisors, organizational climate, and retention rates (with and without retirements). In addition, we exceeded our new hire rate target by 13 percentage points—reaching 88 percent. We fell short of our hiring target of 360 staff by 43 staff due to a lack of quality applicants for 15 positions and not completing recruitment activities by the end of the fiscal year for the other 28 positions. Yet, we recruited for and filled 317 critical positions and made important strides toward meeting our optimal full-time equivalent (FTE) staffing level of 3,250.

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### Internal Operations:

We will be measuring staff satisfaction with our three internal operations for fiscal year 2014 through our internal customer satisfaction (CSAT) survey, scheduled for December 2014. We opted to conduct the annual CSAT survey in December 2014 rather than in May 2014 to give us additional time to consider alternative methodological approaches, fully analyze results and implement action plans, and return us to the schedule used in prior years. Doing so helps align survey results with management’s expectation setting for executive performance in the coming year. In this survey, we will assess how well our administrative services (e.g., computer support, student loan repayment program, building maintenance, etc.) help employees get their jobs done and improve quality of work life, and how satisfied employees are with IT tools. We continued our efforts to maintain staff satisfaction with our internal measure for “helping staff get the job done” (82 percent in fiscal year 2013) and are working to improve the other two services that did not meet our goal of 80 percent in fiscal year 2013—“Improve the quality of work life” (78 percent) and “IT Tools” (68 percent).

## Overall performance toward our goals

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

Performance measure	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 target	2014 actual	Met/ not met	2015 target
<b>Results</b>									
Financial benefits (dollars in billions)	\$43.0	\$49.9	\$45.7	\$55.8	\$51.5	\$45.0	\$54.4	Met	\$46.0
Other benefits	1,315	1,361	1,318	1,440	1,314	1,200	1,288	Met	1,200
Past recommendations implemented	80%	82%	80%	80%	79%	80%	78%	Not Met	80%
New products with recommendations	68%	61%	68%	67%	63%	60%	64%	Met	60%
<b>Client</b>									
Testimonies	203	192	174	159	114	130	129	Not Met	130
Timeliness	95%	95%	95%	95%	94%	90%	95%	Met	90%
<b>People</b>									
New hire rate	99%	95%	84%	76%	66%	75%	88%	Met	80%
<b>Retention rate</b>									
With retirements	94%	94%	92%	93%	93%	90%	94%	Met	90%
Without retirements	96%	96%	96%	96%	96%	94%	97%	Met	94%
Staff development	79%	79%	79%	80%	80%	80%	83%	Met	80%
Staff utilization	78%	77%	78%	76%	75%	76%	77%	Met	76%
Effective leadership by supervisors	83%	83%	83%	82%	83%	82%	83%	Met	82%
Organizational climate	79%	79%	80%	78%	77%	76%	79%	Met	76%
<b>Internal operations</b>									
Help get job done	4.03	3.94	80% (3.98)	N/A	82%	80%	N/A	N/A	80%
Quality of work life	4.01	3.94	80% (3.99)	N/A	78%	80%	N/A	N/A	80%
IT Tools	N/A	N/A	N/A	N/A	68%	80%	N/A	N/A	80%

Source: GAO | GAO-15-1SP

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

N/A indicates that (1) no internal operations survey was conducted in that year, (2) the survey has not yet been conducted in that year, or (3) the question on IT tools was not asked—question was added to the survey in 2013.

Our fiscal year 2015 targets for 14 of 16 of our performance measures are the same as those targets we reported in our fiscal year 2015 performance plan issued in April 2014. The remaining 2 targets (financial benefits and new hire rate) have been increased to what we believe are challenging yet realistic targets for fiscal year 2015.

## Overall performance toward our goals

**Table 2: Four-Year Rolling Averages for Selected GAO Measures**

Performance measure	2009	2010	2011	2012	2013	2014
<b>Results</b>						
Financial benefits (billions)	\$49.5	\$49.2	\$49.2	\$48.6	\$50.7	\$51.9
Other benefits	1,352	1,357	1,348	1,359	1,358	1,340
New products with recommendations	66%	65%	66%	66%	65%	66%
<b>Client</b>						
Testimonies	254	242	217	182	160	144

Source: GAO | GAO-15-1SP

We use 4-year rolling averages for key performance measures to help us examine trends over time, including financial benefits, other benefits, new products with recommendations, and testimonies. We use 4-year rolling averages for these measures because our performance has fluctuated from year to year and this calculation minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. [Table 2](#) shows that our averages for financial benefits decreased slightly from 2009 to 2010, remained stable from 2010 to 2011, decreased in 2012, rose in 2013 and 2014. The average number of other benefits we recorded increased slightly from 2009-2010, declined in 2011, increased in 2012, held steady in 2013, and decreased in 2014. New products with recommendations have been very stable from 2009 through 2014.

We use several factors to set our annual testimonies target—the number of hearings at which we expect our senior executives to testify. These factors include the cyclical nature of the congressional calendar, our 4-year rolling averages, and our past performance. Our experience has shown that during the fiscal year in which an election occurs, such as 2014, the Congress generally holds fewer hearings. In the months after an election, the members usually only meet for a short session, and then they reorganize in the following months, providing fewer opportunities for us to testify. For the past 5 years, our testimonies have been lower than anticipated because of a congressional focus on a few key policy areas that did not encompass as many hearings on our broad scope of work as in previous years. We lowered and fell just short of our new target of 130 testimonies in 2014, but have retained this target for 2015.

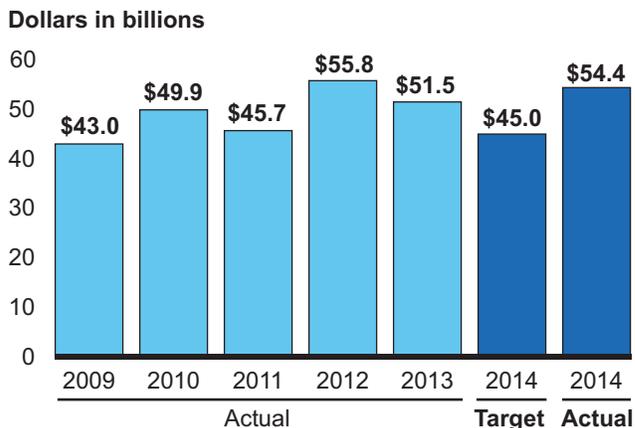
# FINANCIAL BENEFITS

Source: GAO | GAO-15-1SP

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. For example, 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 2014, our work generated about \$54.4 billion in financial benefits (see [fig. 5](#)). We exceeded our target by about 17 percent because of several unexpectedly large accomplishments. In light of our performance in fiscal year 2014 and expected future financial benefits based on our past, ongoing, and expected work, we have set our 2015 target for financial benefits at \$46 billion. This is \$1 billion above the fiscal year 2014 target but below our actual performance.

**Figure 5: Financial Benefits GAO Recorded**



The financial benefits that we report 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. For example, fiscal year 2014 was our second year of financial benefits resulting from DOD’s decision to reduce procurement quantities for the Joint Strike Fighter program in fiscal years 2015 through 2017—a budgeted savings of about \$11.7 billion. Similarly, fiscal year 2014 was our third year of savings from the elimination of the ethanol tax credit for corn, which had duplicated a fuel standard—resulting in a \$5.9 billion tax expenditure savings. See [figure 6](#) for examples of new financial savings for fiscal year 2014.

To calculate our financial benefits we rely on estimates 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 by each goal in [Part II](#) of this report.

**Figure 6: Examples of GAO’s Major Financial Benefits Reported in Fiscal Year 2014**

Description of New Financial Benefits	Amount (Dollars in billions)
<p><b>Reducing Improper Overpayments by Medicaid.</b> Since fiscal year 2000, GAO has issued several reports and testimonies to focus attention on government-wide and agency-specific improper payments issues; identify deficiencies in agencies’ estimation methodologies; and actions to prevent, detect, and correct improper payments, including Medicaid. Given GAO’s role in the passage of the Improper Payment Act of 2002 and continued oversight of Medicaid’s efforts to meet the requirements of the Act, GAO recorded a total cost reduction of about \$6.5 billion (net present value) attributable to action taken to lower the Medicaid program’s improper overpayment error rate for fiscal years 2012 and 2013.</p>	<b>\$ 6.5</b>
<p><b>Reducing Funding for New Camouflage Uniforms for the Army.</b> In 2012, GAO reported that the military services’ approach to acquiring combat uniforms was fragmented, potentially resulting in increased risk on the battlefield and lost opportunities to save millions of dollars. As a result of a provision in the National Defense Authorization Act for Fiscal Year 2014, the Army decided not to field new service-specific camouflage uniforms, avoiding about \$4.2 billion in costs over 5 years.</p>	<b>\$4.2</b>
<p><b>Overseeing the State Department’s Fiscal Year 2014 Budget Request.</b> GAO’s review of the President’s Fiscal Year 2014 International Affairs Budget Request identified potential sources of budgetary reductions in State Department accounts with new or substantial increases in budgetary authority and/or growing unobligated balances. In January 2014, the Congress passed a consolidated appropriations act for international affairs that reduced the State Department’s budget request by \$6 billion, of which, \$2.1 billion was from sources identified in GAO’s analysis.</p>	<b>\$2.1</b>
<p><b>Overseeing the Agriculture Department’s Unobligated Balances.</b> GAO’s review of the Department of Agriculture’s budget requests for fiscal years 2011-2013, identified large unobligated balances in several financing accounts, such as the Agricultural Credit Insurance Fund. As a result of GAO’s oversight effort, the Department of Agriculture decided to keep unobligated balances lower in these accounts than in past years by periodically transferring excess funds back to the U.S. Treasury. Consequently, in fiscal year 2013, the Department transferred about \$1.8 billion back to the U.S. Treasury.</p>	<b>\$ 1.8</b>
<p><b>Consolidating Federal Data Centers.</b> Since 2010, GAO has been reporting on the need for federal agencies to take steps to complete their data center inventories and develop consolidation plans while addressing any related challenges. As a result of implementing GAO’s recommended improvements, 12 major federal agencies have reported cost savings or cost avoidances of slightly more than \$1 billion from fiscal years 2011-2013—the first 3 years of their data center consolidation efforts.</p>	<b>\$1.0</b>

Source: GAO | GAO-15-1SP

Notes: 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. 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.

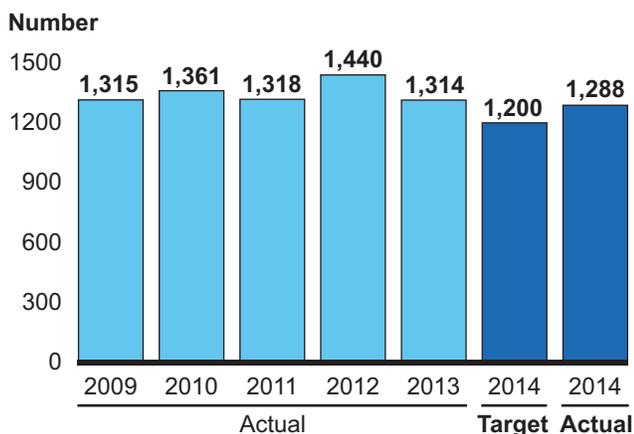
Additional examples of fiscal year 2014 financial benefits can be found in [Part II](#) of this report.

# OTHER BENEFITS

Source: See Image Sources

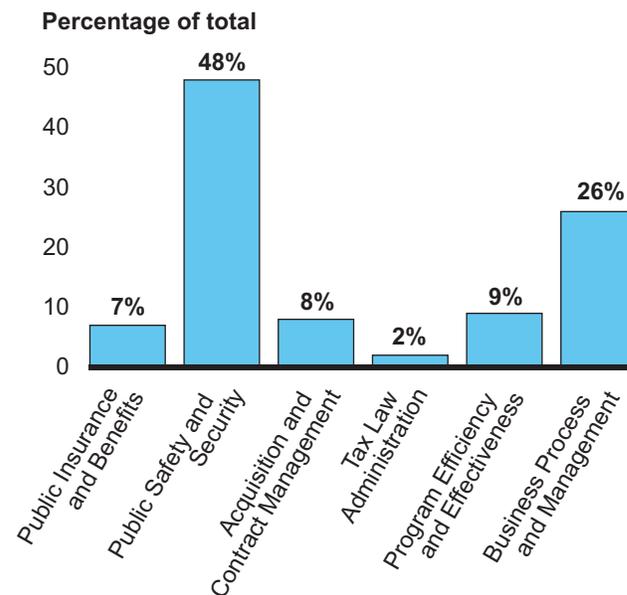
Many of the benefits that result from our work cannot be measured in dollar terms, which we refer to as other benefits. During fiscal year 2014, we recorded a total of 1,288 other benefits (see fig. 7). We exceeded our target by about 7 percent largely because of a number of accomplishments we documented for public safety and security, business process improvement and program efficiency and effectiveness. We have set our 2015 target for these other benefits at 1,200 again given our past, ongoing, and expected work.

**Figure 7: Other benefits**



Source: GAO | GAO-15-1SP

**Figure 8: Types of Fiscal Year 2014 Other benefits**



Source: GAO | GAO-15-1SP

Note: Examples of programs included in categories in figure 8 include:

- **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.

**Figure 9: Examples of GAO’s Other Benefits Reported in Fiscal Year 2014**

Program	Description
<p><b>Public Insurance and Benefits</b></p>	<p><b>Improving Administration of Non-VA Medical Care.</b> In 2013 and 2014, GAO reported weaknesses in the Department of Veterans Affairs (VA) management and oversight of its Non-VA Medical Care Program. This program authorizes VA to pay for medical services from non-VA providers to help ensure that veterans’ medical care is timely and accessible. Based on our review, the Congress directed VA to centralize non-VA medical care claims processing and payment, to better ensure consistent application of VA requirements and policies nationwide. (<a href="#">GAO-14-696T</a>, <a href="#">GAO-14-175</a>, <a href="#">GAO-13-441</a>)</p>
<p><b>Public Safety and Security</b></p>	<p><b>Sharing Terrorism-Related Information to Protect the Homeland.</b> Sharing terrorism-related information with all levels of government helps prevent terrorism on U.S. soil. GAO’s 2012 report identified ways that the Department of Homeland Security (DHS) could continue making progress on its information-sharing mission and better assess past efforts. DHS’ actions in response to our recommendations help ensure that it better shares terrorism-related information with its security partners; identifies and determines the cause of gaps in sharing; tracks key initiatives to close gaps and measures results, including customer satisfaction. (<a href="#">GAO-12-809</a>)</p>
<p><b>Acquisition and Contract Management</b></p>	<p><b>Raising Concerns about Buying Littoral Combat Ships with Unknown Capabilities.</b> In 2013 and 2014, GAO raised concerns about the Navy’s Littoral Combat Ship (LCS)—a \$30 billion, 52-ship program. We reported that significant unknowns remained about the ships’ operations and capabilities, and that the Navy was buying ships while still testing the LCS concepts and performance. We recommended that the Navy not award further contracts until it knows more about the ships’ capabilities. Citing concerns about LCS capabilities, the Secretary of Defense announced in February 2014 that the Navy would contract for no more than 32 ships and directed the Navy to submit alternative proposals for a new small surface combatant ship. (<a href="#">GAO-14-749</a>, <a href="#">GAO-13-530</a>)</p>
<p><b>Program Efficiency and Effectiveness</b></p>	<p><b>Responding to Drug Shortages.</b> In 2011, GAO reported that nationwide shortages of prescription drugs had increased substantially in recent years. We found that although the Food and Drug Administration (FDA) recognized the significant public health consequences of drug shortages, it had not identified this issue as an area of strategic priority. We recommended that FDA’s strategic plan articulate priorities for ensuring availability of all medically necessary drugs. In October 2013, FDA issued a strategic plan that focuses on strengthening FDA’s ability to respond to drug shortages and developing long-term prevention strategies for this serious public health challenge. (<a href="#">GAO-12-116</a>)</p>
<p><b>Business Process and Management</b></p>	<p><b>Improving Federal Financial Reporting.</b> GAO’s annual financial statement audits of the Securities and Exchange Commission (SEC) and Internal Revenue Service (IRS), found significant financial reporting control deficiencies. Resulting SEC improvements resolved two significant deficiencies from the prior year. Also, IRS continued to make important progress in addressing deficiencies in the internal control over financial reporting systems. (<a href="#">GAO-13-274R</a>, <a href="#">GAO-14-213R</a>, <a href="#">GAO-14-169</a>, <a href="#">GAO-14-433R</a>, <a href="#">GAO-14-319R</a>, <a href="#">GAO-13-274R</a>)</p>

Source: GAO | GAO-15-1SP

Notes: 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. 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.

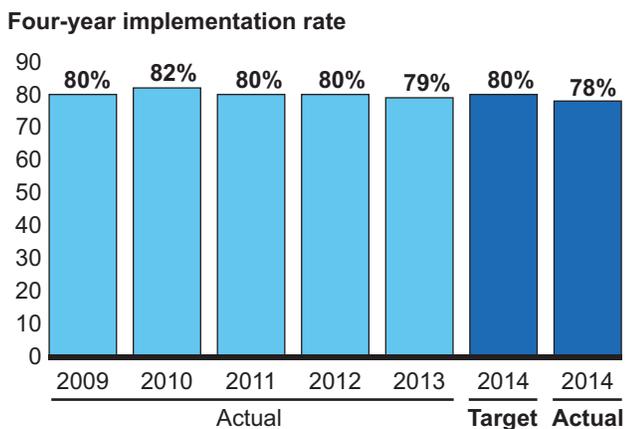
Additional examples of other benefits for the fiscal year can be found in [Part II](#) of this report.

## Other Measures of Our 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. We use a 4-year reporting window because it generally takes four full years to implement our cycle for recommendations. At the end of fiscal year 2014, 78 percent of the recommendations we made in fiscal year 2010 had been implemented (see [fig. 10](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

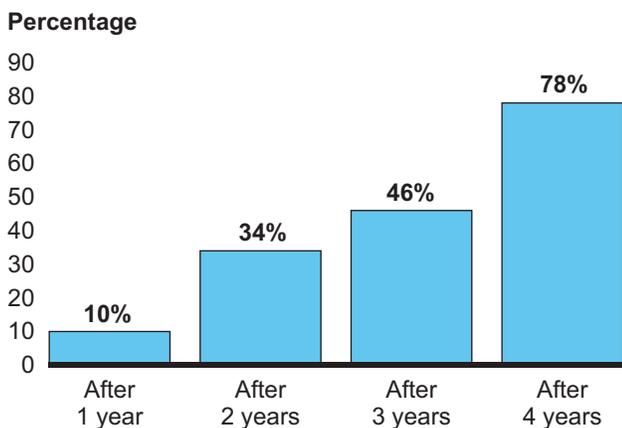
**Figure 10: Percentage of Past Recommendations Implemented**



Source: GAO | GAO-15-1SP

The 78 percent implementation rate for fiscal year 2014 fell just short of our target of 80 percent for the year. As [figure 11](#) indicates, agencies need time to act on our 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.

**Figure 11: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2010**



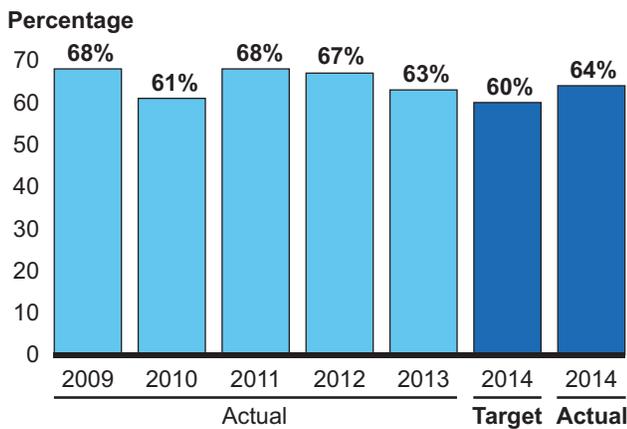
Source: GAO | GAO-15-1SP

## Other Measures of Our Results

### New Products Containing Recommendations

In fiscal year 2014, about 64 percent of the 537 written products we issued contained recommendations (see [fig. 12](#)). 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 other benefits for the nation. We exceeded our target of 60 percent by 4 percentage points. However, we are maintaining the 60 percent target for 2015 because we recognize that including recommendations in our products is not always warranted, and the Congress and agencies often find informational reports 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 substantial financial and other key benefits. Hence, this measure allows us some flexibility in responding to requests that result in reports without recommendations.

**Figure 12: Percentage of New Products with Recommendations**



Source: GAO | GAO-15-1SP

## Focusing on Our Client

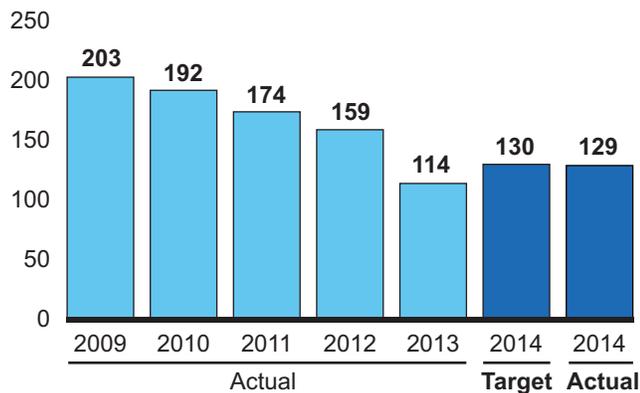
To fulfill the informational needs of the Congress, we plan to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted the Congress well, by striving to respond to all congressional requests for testimony and delivering almost all of our products when promised based on the feedback from our clients. We issued 761 total products and completed work for 151 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 2014, our senior executives testified at 129 congressional hearings and fell one hearing short of our target. (see [fig. 13](#)). Although we did not meet our target, we were asked to testify at 13 percent more hearings than last year—reversing a 5-year downward trend. This measure is client-driven based on invitations to testify; therefore we cannot always anticipate clients' specific subject area interests. Our experience has also shown that during the fiscal year in which an election occurs, such as 2014, the Congress generally holds fewer hearings. The 129 hearings at which the Congress asked our executives to testify in fiscal year 2014 covered the scope of our mission areas. (See [Figure 14](#) for selected topics we testified on by strategic goal in fiscal year 2014.) Thirty-three percent of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on [page 40](#) of this report.

**Figure 13: Testimonies**

Hearings at which GAO testified



Source: GAO | GAO-15-1SP

We have set our fiscal year 2015 target for testimonies at 130 hearings and believe this should be a reasonable estimate given recent trends and the Congress's continuing interest in such matters as national and homeland security, health care, information security, public safety, and natural resources.

**Figure 14: Selected Testimony Topics • Fiscal Year 2014**

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

- Processing Veterans’ Disability Benefits
- Expectations of Government Support for Large Bank Holding Companies
- Timely Outpatient Medical Care for Veterans
- Early Learning and Child Care
- Retirement Security Trends
- Privacy of Consumers’ Location Data
- Federal Fiscal Exposure from Climate Risks
- Oversight of Federal Student Loans
- Medicare Fraud
- U.S. Postal Service’s Unfunded Benefit Liabilities
- Federal Efforts Supporting Financial Literacy
- Oil and Gas Management
- Airport Development and Financing
- VA Construction of Major Medical Facilities Face Cost Increases and Schedule Delays
- Public Transit Challenges
- Export-Import Bank Management
- Social Security Disability Programs

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

- DHS’ Progress in Addressing High-Risk Issues
- Arizona Border Surveillance Technology Plan
- Personnel Security Clearances
- TSA’s Screening Partnership Program
- DHS High Risk Areas: Progress and Remaining Work
- Sustained Leadership for Defense Health Reform
- Defense Acquisition Management Reforms
- DHS’ Chemical Security Program
- DOD Acquisition Risks: F-35 Joint Strike Fighter
- National Security Space Launch Acquisitions
- Improving Oversight of NASA’s Export Controls
- Nuclear Nonproliferation
- Strengthening DHS’ Research and Development Oversight and Coordination
- USAID Support for Haiti’s Reconstruction
- Enhancing Federal Agencies’ Responses to Information Security Breaches
- HealthCare.gov Security and Privacy Controls
- HealthCare.gov Contract Planning and Oversight

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

- Biosafety Lapses in High Containment Laboratories
- Leveraging Best Practices for Major Information Technology Acquisitions
- Information Technology Reform Initiatives
- Additional Guidance for States on Use of Psychotropic Medications for Foster Children
- Patient Protection and Affordable Care Act Enrollment Controls
- Correcting Long-standing Weaknesses in DOD’s Financial Management
- Monitoring Government-wide Improper Payments
- Government-wide Challenges to Efficiency and Effectiveness
- Reducing Fragmentation, Overlap, and Duplication in Federal Programs

Source: GAO | GAO-15-1SP

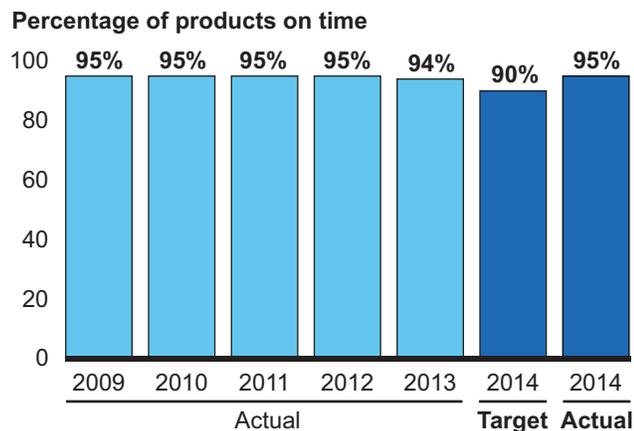
Note: Additional information on selected testimonies can be found in [Part II](#) of this report.

## Timeliness

To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2014, we exceeded our timeliness target of 90 percent by 5 percentage points. (See [fig. 15](#).) 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. To calculate this result, we tally responses from the client survey form we send to key congressional staff working for the requesters of our testimony statements and more significant written products (e.g., engagements assigned an interest level of “high” by our senior management and those expected to reach 500 staff days or more), which represented about 56 percent of the congressionally requested written products we issued in fiscal year 2014. Because our products usually have multiple requesters, we often send forms to more than one congressional staff person per testimony or product. One of the questions on each form asks the client whether the product was provided or delivered on time. In fiscal year 2014, of the forms returned to us, 96 percent of the congressional staff responding answered the question on timeliness. Overall, the response rate to our entire form was 22 percent, though we received feedback on 48 percent of the products for which we sent forms.

We have consistently set a high target for timeliness because it is important for us to meet congressional needs when they occur. We have again set our fiscal year 2015 target at 90 percent because we believe that this is realistic given current staffing levels and workload demands.

**Figure 15: Timeliness**



Source: GAO | GAO-15-1SP

## Focusing on Our People

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2014. 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. Over the last 7 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2014, we exceeded all 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 134](#) of this report.

### New Hire Rate

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. GAO’s annual workforce planning process helps to identify the human capital resource requirements needed to accomplish its mission. It is the key tool to put strategic goals into human capital actions that are needed to respond to changing work environments. The workforce plan takes into account strategic goals, projected workload requirements, and other changes, such as retirements, attrition, promotions, and skill gaps. It specifies the number of planned hires for the upcoming year. Adjustments to the plan are made throughout the year, if necessary, to respond immediately on the most pressing issues for congressional oversight and decision making. [Table 3](#) shows that in fiscal year 2014, our new hire rate was 88 percent. We exceeded our target by 13 percentage points. We planned to hire 360 new staff, but filled 317 positions by year-end. Fifteen of these positions were not filled because we did not have quality candidates. For the remaining 28 positions, we had not completed our recruiting activities by the end of the fiscal year. These positions will be carried over to fiscal year 2015.

**Table 3: Actual Performance and Targets Related to Our New Hire Rate Measure**

Performance measure	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 target	2014 actual
<b>People</b>							
New hire rate	99%	95%	84%	76%	66%	75%	88%

Source: GAO | GAO-15-1SP

### 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. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. [Table 4](#) shows that in fiscal year 2014, we exceeded our target rate of 90 percent for retention with retirements by 4 percentage points at 94 percent. We also exceeded our retention rate target of 94 percent without retirements by 3 percentage points at 97 percent.

**Table 4: Actual Performance and Targets Related to Our Retention Rate Measures, Including and Excluding Retirements**

Performance measures	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 target	2014 actual
<b>People</b>							
Retention rate							
With retirements	94%	94%	92%	93%	93%	90%	94%
Without retirements	96%	96%	96%	96%	96%	94%	97%

Source: GAO | GAO-15-1SP

## 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. (See [Part V](#) of this report on pp. 130-138 for additional information about these measures.) This fiscal year, 69 percent of our employees completed the survey, and we exceeded all four targets (see [table 5](#)). Our performance on the staff development exceeded our target of 80 percent by 3 percentage points. Staff utilization exceeded our target of 76 percent by 1 percentage point, organizational climate exceeded our target of 76 percent by 3 percentage points, and leadership exceeded our target of 82 percent by 1 percentage point. Given our performance on these measures in recent years, we have decided to keep these targets for fiscal year 2015.

**Table 5: Actual Performance and Targets Related to Our Measures of Employee Satisfaction with Staff Development, Staff Utilization, Effective Leadership by Supervisors, and Organizational Climate**

Performance measures <sup>a</sup>	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 target	2014 actual
<b>People</b>							
Staff development	79%	79%	79%	80%	80%	80%	83%
Staff utilization	78%	77%	78%	76%	75%	76%	77%
Effective leadership by supervisors <sup>b</sup>	83%	83%	83%	82%	83%	82%	83%
Organizational climate	79%	79%	80%	78%	77%	76%	79%

Source: GAO | GAO-15-1SP

<sup>a</sup>Certain portions of our web-based survey are used to develop these four measures.

<sup>b</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.

## Focusing on Our Internal Operations

Our mission and people are supported by our administrative services, including information management, infrastructure operations, human capital, and financial management. To assess our performance and set targets related to how well our administrative services help employees get their jobs done and improve quality of work life, and employee satisfaction with IT tools, we use information from our annual customer satisfaction survey (see [table 6](#)). We ask staff to rate internal services available to them, indicating their satisfaction with each service from “very dissatisfied” to “very satisfied,” or to indicate that they did not use the service. Our internal operations measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the Congress and be a leading practices federal agency. We will be measuring staff satisfaction with our three internal operations for fiscal year 2014 through our internal customer satisfaction survey, scheduled for December 2014. We opted to conduct the annual survey in December 2014 rather than in May 2014 to give us additional time to consider alternative methodological approaches, fully analyze results and implement action plans, and return us to the schedule used in prior years. Doing so helps align survey results with management’s expectation setting for executive performance in the coming year.

The first measure encompasses services that help employees get their jobs done, such as information security, desktop computer equipment, travel services, and report production. The second measure encompasses services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and internal communications. The third measure encompasses IT tools, such as our internal engagement management system, telework tools, and the intranet. Using survey responses, we calculate a composite score for each service category.

**Table 6: Actual Performance and Targets Related to Our Internal Operations Measures**

Performance measures	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual	2014 target
<b>Internal operations</b>							
Help get job done	4.03	3.94	80% 3.98	N/A	82%	N/A	80%
Quality of work life	4.01	3.94	80% 3.99	N/A	78	N/A	80%
IT tools	N/A	N/A	N/A	N/A	68	N/A	80%

Source: GAO | GAO-15-1SP

Notes: Information explaining the measures included in this table appears in the [Appendix on Data Quality](#).

N/A indicates that (1) no internal operations survey was conducted in that year, (2) the survey has not yet been conducted in that year, or (3) the question on IT tools was not asked—question was added to the survey in 2013.

## Other Ways GAO Serves the Congress and the American People

### GAO's High-Risk Program

Every two years at the start of a new Congress, GAO issues a biennial update of our High-Risk report. This report focuses attention on government operations that are at high risk of fraud, waste, abuse, and mismanagement, or need transformation to address economy, efficiency, or effectiveness challenges. This report, which will be updated in 2015, offers solutions to 30 identified high-risk problems and the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. government.

The major cross-cutting High-Risk program areas range from transforming DOD business operations and managing federal contracting more effectively, to assessing the efficiency and effectiveness of tax law administration and modernizing and safeguarding insurance and benefit programs. Our 2014 High-Risk work produced 153 reports, 43 testimonies, \$23.9 billion in financial benefits, and 455

#### Our 2014 High-Risk work:

- 153 reports
- 43 testimonies
- \$23.9 billion in financial benefits
- 455 other benefits

program and operational benefits. The high-risk areas with the largest amount of financial benefits were DOD Weapon Systems Acquisitions and the Medicaid and Medicare programs. The 2015 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 24 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. In 2014, we have met with top OMB and agency leaders in a series of regular meetings to discuss progress and actions needed for removal from the High-Risk list. A complete list of high-risk areas is shown in [Table 7](#). Details on each high-risk area can be found at <http://www.gao.gov/highrisk/overview>.

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

In April 2014, we issued our fourth report ([GAO-14-343SP](#)) to the Congress in response to a statutory requirement that calls for us to identify federal programs, agencies, offices, and initiatives that have duplicative goals or activities and report annually to the Congress on our findings, as well as actions to reduce such duplication. Given the current fiscal condition, we also identify additional opportunities to achieve greater efficiency and effectiveness by means of cost savings or enhanced revenue collection.

Our 2014 annual duplication report identifies 64 new actions that executive branch agencies and the Congress could take to improve the efficiency and effectiveness of 26 areas of government. For example, under current law, individuals are allowed to receive concurrent payments from the Disability Insurance and Unemployment programs. Eliminating the overlap in these payments could save the government about \$1.2 billion over the next 10 years. In

another example highlighted in the 2014 report, we reported that the Congress could rescind all or part of the remaining \$4.2 billion in credit subsidies for the Advanced Technology Vehicles Manufacturing Loan program unless the Department of Energy demonstrates sufficient demand for this funding.

In addition to identifying new areas, we continued to monitor the progress the Congress and executive branch agencies have made in addressing issues we previously identified. As we reported in April 2014, the Congress and executive branch agencies have addressed or partially addressed 81 percent of the 162 areas we identified in our first three reports. We estimate that congressional and executive branch efforts to address the issues we have previously identified have resulted in over \$10 billion in cost savings, with billions of dollars more in cost savings anticipated in future years. Policymakers and the public can track the status of congressional and executive branch efforts to address the issues we have previously identified on GAO's Action Tracker located on our website under the "Duplication and Cost Savings" collection.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was intended to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. In fiscal year 2014, we issued five reports (with one recommendation) on issues the act mandates GAO to review. The reports covered:

- interagency efforts to crack down on mortgage foreclosure rescue schemes—schemes that promise but do not deliver foreclosure prevention assistance ([GAO-14-17](#));
- changes in the surplus line insurance market where insurers provide coverage for risks that the traditional insurance market is unwilling or unable to cover ([GAO-14-136](#));
- activities by relevant U.S. agencies and other stakeholders to support responsible sourcing of conflict minerals ([GAO-14-575](#)); and
- audits of the financial statements of the Securities and Exchange Commission ([GAO-14-213R](#)) and the newly created Bureau of Consumer Financial Protection ([GAO-14-170R](#)).

In addition to work mandated by the Act, GAO also responded to requests from the Congress on topics such as expectations of government support for large bank holding companies. Overall, our work provided the Congress with information that helped it oversee the financial markets and the newly-created regulatory agency.

Table 7: GAO's High-Risk List as of September 30, 2014

High-risk area	Year designated
<b>Strengthening the Foundation for Efficiency and Effectiveness</b>	
■ Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks	2013
■ Management of Federal Oil and Gas Resources	2011
■ Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance	2009
■ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	2009
■ Funding the Nation's Surface Transportation System	2007
■ Managing Federal Real Property	2003
■ Strategic Human Capital Management	2001
<b>Transforming DOD Program Management</b>	
■ DOD Approach to Business Transformation	2005
■ DOD Support Infrastructure Management	1997
■ DOD Business Systems Modernization	1995
■ DOD Financial Management	1995
■ DOD Supply Chain Management	1990
■ DOD Weapon Systems Acquisition	1990
<b>Ensuring Public Safety and Security</b>	
■ Mitigating Gaps in Weather Satellite Data	2013
■ Protecting Public Health through Enhanced Oversight of Medical Products	2009
■ Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals	2009
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	2007
■ Revamping Federal Oversight of Food Safety	2007
■ Establishing Effective Mechanisms for Sharing and Managing Terrorism-related Information to Protect the Homeland	2005
■ Strengthening Department of Homeland Security Management Functions	2003
■ Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures	1997
<b>Managing Federal Contracting More Effectively</b>	
■ DOD Contract Management	1992
■ DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management	1990
■ NASA Acquisition Management	1990
<b>Assessing the Efficiency and Effectiveness of Tax Law Administration</b>	
■ Enforcement of Tax Laws	1990
<b>Modernizing and Safeguarding Insurance and Benefit Programs</b>	
■ National Flood Insurance Program	2006
■ Improving and Modernizing Federal Disability Programs	2003
■ Pension Benefit Guaranty Corporation Insurance Programs	2003
■ Medicaid Program	2003
■ Medicare Program	1990

Source: GAO | GAO-15-1SP

## The Patient Protection and Affordable Care Act

The Congress passed the Patient Protection and Affordable Care Act (PPACA) in 2010 to increase the accessibility and affordability of health coverage for Americans. Key provisions of PPACA were implemented starting in 2014, including the establishment of health insurance exchanges—new marketplaces for individuals and small employers to purchase qualified health plans—and requirements affecting insurers’ premium rates and benefits. In fiscal year 2014, we issued 13 products assessing the implementation of exchanges and to assist the Congress in monitoring the effects of PPACA on health insurance availability and costs.

We also studied several issues related to the Centers for Medicare & Medicaid Services’ (CMS) website, [HealthCare.gov](http://HealthCare.gov), and its underlying data systems as consumers faced widespread problems shopping for and purchasing health coverage through the exchanges during the initial open enrollment period. For example, we reported on significant cost increases and delayed system functionality that were exacerbated by ineffective planning and oversight of contractors responsible for developing these systems, and we made recommendations for CMS to bolster contract management and oversight ([GAO-14-694](#)). Further, while CMS has taken steps to protect the security and privacy of data processed and maintained by the complex set of systems and interconnections that support [HealthCare.gov](http://HealthCare.gov), we found that weaknesses remain both in the processes used for managing information security and privacy as well as the technical implementation of IT security controls. We made recommendations to improve privacy and security of these data systems that CMS indicates it intends to adopt in advance of the second open enrollment period beginning in November 2014 ([GAO-14-730](#)).

In addition, we reported on health insurance premiums and insurer participation in the exchanges to assist the Congress in ongoing monitoring of the effects of PPACA. In a series of reports, we provided baseline data on base premiums (prior to underwriting for health and other risk factors) that individuals of different ages, sex, smoking status, and family size were offered, as well as average premiums small employers paid, in 2013 ([GAO-14-263R](#), [GAO-14-524R](#), and [GAO-14-772R](#)). We also found that the largest issuers of health coverage in 2012 (prior to the implementation of exchanges) participated in exchanges in most states in 2014, but most smaller insurers with less than 5 percent of the 2012 market did not participate in the 2014 exchanges ([GAO-14-657](#)).

## Other Ways GAO Serves the Congress and the American People

### The Troubled Asset Relief Program

The Troubled Asset Relief Program (TARP) began in October 2008 to help restore liquidity and stability to the U.S. financial system. The act that established TARP also required GAO to oversee TARP and report on our oversight. In addition to other information we provided the Congress in fiscal year 2014, we issued four reports (with three recommendations) on our TARP oversight. The reports covered:

- fair lending controls and access to the Making Home Affordable program (MHA) for non-English speakers. We made three recommendations to help the Department of the Treasury continue improving MHA transparency and accountability ([GAO-14-117](#));
- status of the Capital Purchase Program, the primary initiative under TARP to strengthen financial institutions' capital levels ([GAO-14-388](#));
- status of the Community Development Capital Initiative, which helps banks and credit unions maintain service to underserved communities ([GAO-14-579](#)); and
- Treasury's assistance to Ally Financial Inc. ([GAO-14-698](#)).

## Other Ways GAO Serves the Congress and the American People

### General Counsel Decisions

In addition to benefiting from our audit and evaluation work, which reflects considerable legal input, the Congress and the public also benefited from the legal products and activities undertaken by our Office of General Counsel in fiscal year 2014. The following exemplify some of our key contributions.

The Office of General Counsel handled about 2,500 bid protests during the course of fiscal year 2014.<sup>5</sup> The bid protest process was authorized by the Congress, as part of the Competition in Contracting Act of 1984, to provide companies with an administrative forum to challenge the award, or solicitation for the award, of a federal contract. The statute requires that GAO resolve protest disputes in no more than 100 calendar days, and, in most cases, requires agencies to stop work on a contract until the protest is resolved. The Congress adopted this stop work approach to preserve the possibility for meaningful relief upon completion of the protest.

In fiscal year 2014, we issued over 500 decisions on the merits, which are accessible on GAO's Legal Decisions & Bid Protest web pages at <http://www.gao.gov/legal/index.html>. These decisions addressed a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. Certain of these protests involved highly visible government programs and received extensive media coverage. Many of our fiscal year 2014 protests were resolved without a written decision on the merits because the federal agency involved voluntarily took corrective action to address the protest, in some cases after GAO used Alternative Dispute Resolution techniques. The remaining protests were decided on the merits, dismissed for procedural deficiencies, or withdrawn by the protester. As required by the Competition in Contracting Act of 1984, 31 U.S.C. § 3554(e)(2), the Comptroller General reports annually to the Congress on federal agencies that do not fully implement a recommendation made by GAO in connection with a bid protest decided in the prior fiscal year.

The Consolidated Appropriations Act, 2014,<sup>6</sup> directed GAO to develop an electronic filing and document dissemination system for bid protests. The statute also authorized GAO to collect and use fees to offset the costs of that system. GAO is making progress in establishing the electronic protest docketing system. We have published a request for information and received input on solutions from the business community. In addition, we have conducted outreach with the Congress, and with small business groups identified by congressional stakeholders, on their thoughts about approaches to using a filing fee to offset the costs of the system. We are also regularly providing updates to the House and Senate Committees on Appropriations on our progress.

Within the Office of General Counsel, eight attorneys appointed by the General Counsel also serve on our Contract Appeals Board. The GAO Contract Appeals Board was established by the Congress in 2007 to hear and decide the appeals of contracting officer decisions with respect to contract disputes involving all legislative branch agencies. In addition to using alternative dispute resolution procedures, the GAO Contract Appeals Board also issues formal

<sup>5</sup>The number of protests in the last 3 years has been relatively stable: There were 2,429 filings in fiscal year 2013, and 2,475 filings in fiscal year 2012.

<sup>6</sup>Pub. L. No. 113-76, div. I, title I, § 1501, 128 Stat. 5, 433-34 (Jan. 17, 2014).

decisions as necessary to adjudicate contract appeals. These appear on our website at <http://www.gao.gov/legal/contract/decisions.html>. During fiscal year 2014, the GAO Contract Appeals Board opened 4 new appeals and closed 12 appeals. Most of the closed appeals involved settlements between the parties based on varying degrees of GAO Contract Appeals Board input, and the board published one formal decision in fiscal year 2014. At the end of fiscal year 2014, the board had 3 pending appeals on its docket, as compared with 12 appeals pending at the end of fiscal year 2013.

In fiscal year 2014, we published 22 appropriations decisions, opinions, and letters on issues such as the Department of Defense's (DOD) transfer of individuals from Guantanamo Bay and District of Columbia budget autonomy. One of our most highly visible opinions was issued in August 2014 to certain members of the Subcommittee on Defense, Senate Committee on Appropriations.<sup>7</sup> The Subcommittee members asked for our legal opinion on whether DOD violated the Antideficiency Act when it transferred individuals detained at Guantanamo Bay without regard to a notification requirement contained in a provision of the Department of Defense Appropriations Act, 2014. The provision prohibited the use of appropriated funds unless DOD notified certain congressional committees at least 30 days in advance of a transfer. We concluded that DOD did not provide the required notice to the committees, and thus the funds used were not available for that purpose. In January 2014, we issued an opinion to the Subcommittee on Financial Services and General Government, House Committee on Appropriations.<sup>8</sup> The Subcommittee asked for our legal opinion regarding whether the District Government could obligate and expend funds in accordance with budget autonomy provisions, enacted into law by the Council of the District of Columbia, rather than in accordance with appropriations enacted into federal law. We concluded that provisions of the local District of Columbia law that attempted to change the federal government's role in the District's budget process have no legal effect.

## Other Legal Work

Attorneys from General Counsel also provided ongoing appropriations law assistance to various congressional committees and federal agencies navigating the government shutdown due to a lapse in fiscal year 2014 appropriations. We helped agencies and committees understand the orderly shutdown process, as well as provided technical assistance regarding the interplay between the Antideficiency Act and the lapse in appropriations with regard to agency operations, federal employee status and salaries, and services provided by private contractors. We also informally assisted the Congress on a number of other matters, including continuing advice on the implementation of sequestration.

The third edition of *Principles of Federal Appropriations Law*, commonly known as the Red Book, continued to be the primary resource for appropriations law guidance in the federal community. In fiscal year 2014, the Red Book averaged thousands of downloads as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of government accessed it to research questions about budget and appropriations law. We also issued our *Annual Update of the Third Edition of the Red Book* ([GAO-14-163SP](#)).

<sup>7</sup>B-326013, Aug. 21, 2014.

<sup>8</sup>B-324987, Jan 30, 2014.

Attorneys from General Counsel continued to teach a 2 ½ day course on appropriations law. Presenting a framework for understanding and properly applying provisions of appropriations law, the course helps ensure that agencies use public money as the Congress directed. We held 19 classes for 9 agencies, as well as for staff from the Senate and House Committees on Appropriations. In addition, appropriations lawyers taught seminars on specialized appropriations law topics and spoke on our appropriations law work at conferences and trainings hosted by five agencies and professional organizations. To enhance communication within the appropriations law community across all agencies and within the three branches of government, we hosted our tenth annual Appropriations Law Forum in March 2014. Attorneys from 90 government agencies and 30 Inspector General offices participated.

For fiscal year 2014, we received 10 Antideficiency Act reports and made selected information from these reports available on our Web site. Since the Congress amended the Antideficiency Act in 2004 requiring agencies to send us a copy of any report of an Antideficiency Act violation, we have received 181 reports and maintain an official repository of Antideficiency Act reports.

We continued to report under the Congressional Review Act on major rules proposed by federal agencies to the standing committees of jurisdiction of both Houses of the Congress. For fiscal year 2014, we issued 73 reports.

We also continued to fulfill our responsibilities under the Federal Vacancies Reform Act (FVRA). FVRA requires executive departments and agencies to immediately report to the Congress and the Comptroller General certain vacancies that require presidential appointment and Senate confirmation. It requires the Comptroller General to report to the Congress, the President, and the Office of Personnel Management if the Comptroller General determines that an acting official is serving longer than the 210-day period (including applicable extensions) established by the act.

## Strategic Planning and Partnerships

In February 2014, we issued our 2014-2019 Strategic Plan, which provides a comprehensive road map for how GAO’s audit work will support the most important priorities of the Congress and the American people in the coming years.

Our strategic plan also underscores how collaboration and partnership among the auditing and accountability community are essential to meet the calls of citizens and taxpayers for greater oversight, efficiency, and effectiveness of government operations and spending in the face of fiscal constraints and tighter government budgets.

By leveraging its domestic and international partnerships, GAO builds collaborative knowledge-sharing and capacity-building networks that enhance our ability to do audits, strengthen government auditing standards, avoid duplication of effort, and share best practices with the wider audit and accountability communities.

Moreover, achieving our strategic goals and objectives requires us to coordinate and collaborate with international and intergovernmental organizations with similar or complementary missions. In particular, we use advisory panels and other bodies to inform our strategic and annual work planning and maintain strategic working relationships with other domestic and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other countries’ national audit offices. Advisory boards and panels helped us to identify key trends, opportunities and challenges, and lessons learned that we should factor into our planning, audit work, and operations. During fiscal year 2014, we continued to collaborate with our domestic and international counterparts in the audit and accountability community to, among other things, develop standards and build audit capacity through ongoing communication and collaboration.

### Networks, Collaborations, and Partnerships

With GAO’s authority to “follow the federal dollar,” there are unique challenges in assuring accountability for grants and other federal funds flowing to subfederal recipients in states and localities. We also play an important role in coordinating professional audit standards, setting audit standards for federally funded programs, and representing U.S. views and interests in the international community. Each year, GAO receives hundreds of requests for international visitors to come to the agency to learn more about its mission, organization, and work. GAO values these visits as an important opportunity to build professional networks, share knowledge, and strengthen the capacity of Supreme Audit Institutions (GAO’s direct counterparts in other countries). We also provide domestic audit and accountability offices with guidance, expertise, and technical assistance in implementing professional standards.

We have leveraged our resources by collaborating with our domestic and global networks. Through these networks, such as the federal inspectors general and state and local auditors—notably the National Association of State Auditors, Controllers, and Treasurers and Association of Local Government Auditors—we have continued to build capacity within our agency and among our partners to do quality work auditing programs involving U.S. funds and to set standards for the audit and accountability community.

## *Federal, State, and Local Collaboration*

In fiscal year 2014 we continued to support the domestic audit and accountability community at the federal, state, and local levels. For example, we helped lead the effort to develop a new 2014-2020 strategic plan for the National Intergovernmental Audit Forum. We also helped organize the 20th Biennial Forum of Government Auditors, which brought together approximately 300 attendees from the federal, state and local accountability communities to share best practices and lessons learned on current and emerging trends in conducting their work. At the federal level, we continued to coordinate with our federal partners, including a coordination meeting with the Council of the Inspectors General on Integrity and Efficiency.

Our collaboration with the federal, state and local audit community is also an important element of our standard-setting responsibilities, such as those for government internal controls. On September 10, 2014, GAO issued a revision of *Standards for Internal Control in the Federal Government*, also known as the Green Book. The Green Book Advisory Council we established—consisting of individuals with a strong knowledge of internal controls from federal, state, and local government, as well as the internal audit community, academia, and other financial, compliance and performance auditing organizations—was an important source of input and recommendations during the process of revising the Green Book.

## *INTOSAI*

For over 4 decades, we have been a member of the International Organization of Supreme Audit Institutions (INTOSAI), an association of over 190 national audit offices—our counterparts around the world. This network has positioned us well to address a more interdependent world where domestic challenges (e.g., regulation of financial markets, prescription drugs, and consumer products; homeland security; and rebuilding our infrastructure) often have global dimensions. Through our active participation in INTOSAI's Professional Standards Committee and subcommittees, we stayed abreast of changes in international accounting, auditing, and reporting standards and shared the U.S. perspective in shaping the standards. The U.S. Government Auditing Standards developed by the Comptroller General of the United States and the GAO policies that we apply in conducting our audits are consistent with the Fundamental Auditing Principles of the International Standards of Supreme Audit Institutions. This is especially important given the increased focus in recent years on the development and adoption of international accounting and auditing standards.

By participating in INTOSAI knowledge-sharing working groups and task forces (e.g., Public Debt, Information Technology, Environmental Auditing, Program Evaluation, Fight Against International Money Laundering and Corruption, Value of Supreme Audit Institutions (SAI), Key National Indicators, Procurement, and Financial Modernization and Regulatory Reform), we acquire knowledge and networks with experts in other countries in subject areas relevant to our audit work. For example, our leadership of the Financial Modernization and Regulatory Reform Working Group involves some 25 countries and provides an ongoing platform for sharing methodologies and results of financial regulatory audits, strengthening communication between SAIs and international organizations focused on regulatory reform, and monitoring of the status of financial modernization and regulatory reforms undertaken across the world at national and international levels.

We continued to help strengthen INTOSAI's strategic planning capacity by coordinating a task force to update the INTOSAI strategic plan and assisting with the development of a mechanism for INTOSAI to monitor emerging issues. We also took measures designed to reduce the INTOSAI Journal's future operating costs while continuing to provide leadership for this important knowledge-sharing tool for our international SAI partners.

### *Capacity Building*

In support of the federal government's interest in promoting good governance and ensuring that federal funds for programs abroad are spent effectively and efficiently, we continued to advance SAI capacity-building efforts and the INTOSAI-Donor Cooperation initiative. We continued to work actively with the INTOSAI-Donor Cooperation initiative, which achieved a new milestone of an additional 2 donors signing on to bring the total number of signatories to 22<sup>9</sup>.

In fiscal year 2014, 22 participants from 18 countries completed our 4-month International Auditor Fellowship Program for mid- to senior-level staff from other countries. They brought the total number of participants during the program's 35-year history to more than 540. Through this program, our instructors, mentors, and sponsors become part of a growing international community and network of good government professionals and experts. The goodwill engendered supports our country's image abroad and facilitates our staff's access to foreign officials, which is often essential to our international audit work.

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<sup>9</sup>The 22 signatories include: African Development Bank; Asian Development Bank; Australian Agency for International Development; Austrian Development Agency; Belgian Ministry of Foreign Affairs; Canada; European Commission; France; GAVI Alliance; Global Fund to Fight AIDS, Tuberculosis and Malaria; Inter-American Development Bank; International Monetary Fund; Ireland; Islamic Development Bank; Netherlands Ministry of Foreign Affairs; Norwegian Agency for Development Cooperation; Organization for Economic Cooperation and Development; Sweden; Switzerland; United Kingdom; United States of America; and the World Bank.

## Managing Our Resources

### Resources Used to Achieve Our Fiscal Year 2014 Performance Goals

Our financial statements for the fiscal year ending September 30, 2014, were audited by an independent auditor, CliftonLarsonAllen, LLP, and received an unmodified 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 FFMIA. 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 accordance with accounting principles generally accepted in U.S. The [auditor's report](#), along with the [statements](#) and their accompanying [notes](#), begins on [page 101](#) in this report.

[Table 8](#) summarizes key data.

**Table 8: GAO's Financial Highlights: Resource Information (Dollars in millions):**

	Fiscal year 2014	Fiscal year 2013
Total budgetary resources	\$562.5	\$546.7
Total outlays	\$529.3	\$529.7
Net cost of operations		
Goal 1: Well-being / Financial Security of American People	\$218.0	\$215.2
Goal 2: Changing Security Threats / Challenges of Global Interdependence	141.6	137.3
Goal 3: Transforming the Federal Government's Role	135.2	131.8
Goal 4: Maximize the Value of GAO	14.9	14.4
Other Costs in Support of the Congress	26.9	27.2
Reimbursable services not attributable to above cost categories	(9.3)	(10.9)
<b>Total Net Cost of Operations</b>	<b>\$527.3</b>	<b>\$515.0</b>
Actual full-time equivalents (FTE)	2,891	2,849

Source: GAO | GAO-15-1SP

Compared with the statements of large and complex departments in the executive branch, our statements present a relatively simple picture of a small yet very 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 people needed for our mission.

In fiscal year 2014, our budgetary resources included new direct appropriations of \$505.4 million, and \$30.0 million in spending authority from offsetting collections, primarily from the lease of space in our headquarters building and certain audits of agency

financial statements. In addition, we received \$70 thousand for our OIG to complete its responsibilities as the Inspector General of the U.S. Commission on Civil Rights. Our total budgetary resources in fiscal year 2014 were \$562.5 million.

Total assets were \$102.6 million, consisting mostly of funds with the U.S. Treasury and property and equipment (including the headquarters building, land and improvements, and computer equipment and software), which is \$7.9 million greater than fiscal year 2013. Fund Balance with Treasury increased \$5.0 million from fiscal year 2013 primarily as a result of the lack of sequestration in fiscal year 2014.

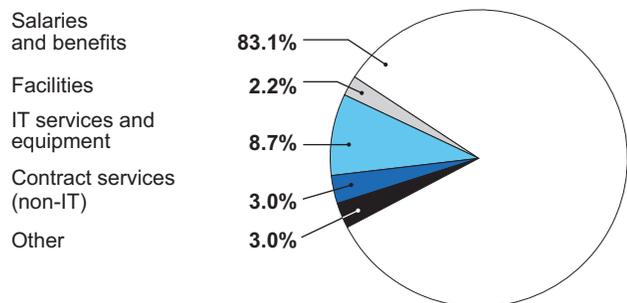
Total liabilities were \$77.7 million, composed largely of employees’ accrued annual leave, employees’ salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable. The balance of total liabilities at the end of fiscal year 2014 remains the same as at the end of fiscal 2013.

Overall, our net cost of operations in fiscal year 2014 is approximately \$12.3 million greater than in fiscal year 2013. This increase is consistent with the increase in budgetary resources and primarily was used to fund the increase in personnel. Each Goal shows a slight increase in net costs, also consistent with the overall increase in personnel.

Figure 16 shows how our fiscal year 2014 costs break down by category.

**Figure 16: Use of Fiscal Year 2014 Funds by Category:**

Percentage of total net costs

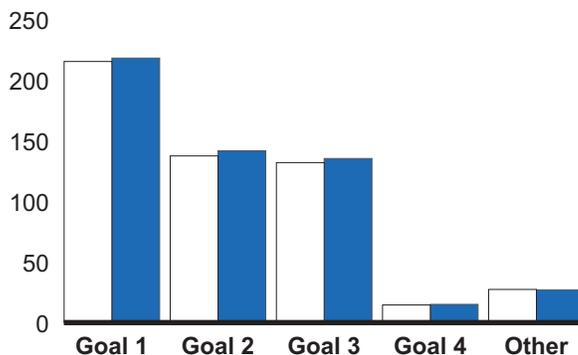


Source: GAO | GAO-15-1SP

Figure 17 shows our net costs by goal for fiscal years 2013 and 2014.

**Figure 17: Net Cost by Goal**

Dollars in millions



	2013	2014
Goal 1	215.2	218.0
Goal 2	137.3	141.6
Goal 3	131.8	135.2
Goal 4	14.4	14.9
Other	27.2	26.9

Source: GAO | GAO-15-1SP

Note: Totals are not adjusted for inflation.

## Summary of Financial Systems Strategies and Financial Management System Framework

Our financial management system is an off-the-shelf system that meets OMB’s Office of Federal Financial Management’s Federal Financial Management System Requirements and is hosted by an OMB-designated shared service provider, the Department of Transportation, Enterprise Services Center (ESC). The major financial system in use at ESC is Delphi/Oracle Federal Financials (Delphi), supplemented by a number of supporting systems including: Compusearch’s PRISM, a contract and procurement system; U.S. Bank’s purchase card system for small purchases; Northrop Grumman’s GovTrip system for travel; and Kofax’s Markview, a document workflow system to process vendor invoices.

These commercial-off-the-shelf systems are continuously updated by the respective system developers and by periodically upgrading to new versions; therefore, our systems remain current. Additionally, these systems ensure that we can produce timely, useful, and reliable financial information and maintain strong internal controls. In fiscal year 2014 ESC completed a technical upgrade to Oracle Release 12.

## 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 complied with the spirit of OMB Circular No. A-123, *Management's Responsibility for Internal Control*, which provides guidance for agencies' assessments of internal control over financial reporting. We performed a risk-based assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2014, was operating effectively and that no material control weaknesses exist in design or operation of the internal control over financial reporting. Additionally, our independent auditor found that we maintained effective internal control over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

We are also committed to fulfilling the internal control objectives of FMFIA. Although we are not subject to the act, we comply voluntarily with its requirements. Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition. Further, they are designed to ensure that transactions are executed in accordance with the laws governing the use of budget authority; other laws and regulations that could have a direct and material effect on the financial statements.

In addition, we are committed to fulfilling the objectives of FFMA. 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 U.S. Government Standard General Ledger at the transaction level as of September 30, 2014. We made this assessment based on criteria established under FFMA and guidance issued by OMB.

The Improper Payments Elimination and Recovery Act of 2010 requires that agencies (1) periodically review activities susceptible to significant improper payments; (2) estimate the amount of improper payments; (3) implement a plan to reduce improper payments; and (4) report the estimated amount of improper payments and the progress to reduce them. We have implemented and maintained internal control procedures that help monitor disbursement of federal funds for valid obligations. These controls are tested annually. Based on the results of our tests, we found no improper payments in fiscal year 2014.

Our Inspector General (IG) independently conducts audits and investigations of GAO programs and operations. During fiscal year 2014, the IG evaluated the extent to which we effectively managed our Federal Employees' Compensation Act program to ensure that we pay only

valid claims for continuation of benefits, and that employees are returned to work when able. (<http://www.gao.gov/products/OIG-14-2>) The IG also evaluated the extent to which GAO established effective policies and procedures (controls) to ensure accountability of undercover funds spent in fiscal year 2012. (<http://www.gao.gov/products/OIG-14-1>)

In addition, the IG operated an internal hotline for use by employees, contractors, and the public. The hotline is a primary source of complaints or information for identifying suspected fraud and other problems, abuses, and deficiencies relating to the administration of GAO's programs and operations. IG investigations are intended to strengthen GAO programs and operations, and identify possible violation(s) of any law or regulation that may lead to criminal, civil, and administrative penalties and recoveries. In fiscal year 2014, the IG initiated 10 investigations and closed 11 investigations.

The results of the IG's work and actions taken by us to address IG recommendations are highlighted in the IG's semiannual reports to the Congress. ([http://gao.gov/about/workforce/ig\\_semiannual\\_reports](http://gao.gov/about/workforce/ig_semiannual_reports))

Furthermore, our Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal control over financial operations, and processes that ensure compliance with laws and regulations relevant to our financial operations. The committee is composed of individuals who are independent of GAO and have outstanding reputations in public service or business with financial or legal expertise. For fiscal year 2014 the members of the committee were:

- Michael A. Nemeroff (Chair), a partner in Sidley Austin LLP, and head of its Government Contracting Practice, and a former member of the GAO Legal Advisory Committee.
- Lawrence B. Gibbs, a practicing attorney and member of Miller & Chevalier, Chartered, and a former Commissioner of IRS.
- Robert H. Attmore, CPA, CGFM-Retired, previously served as the Chairman of the Governmental Accounting Standards Board, New York Deputy State Comptroller, President of the National State Auditors Association, and a Trustee of the Academy for Government Accountability.

The [committee's report](#) appears in Part III of this report on [page 100](#).

## 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 Circular No. A-136, *Financial Reporting Requirements*. 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 2015 Performance Goals

For fiscal year 2015, we are currently operating under a continuing resolution at the fiscal year 2014 funding levels through December 11, 2014. Final congressional action on our fiscal year 2015 request of \$525.1 million—an increase of 3.9 percent over our fiscal year 2014 appropriation amount—is still pending.

In May 2014, the House approved direct appropriations of \$519.6 million, an increase of 2.8 percent over our fiscal year 2014 appropriation of \$505.4 million. The full Senate has yet to vote on appropriations legislation, however, the current bill provides \$525.5 million, an increase of 4 percent over our fiscal year 2014 funding level.

For fiscal year 2015 both the House and Senate Committees on Appropriations approved authority for GAO to spend \$23.8 million in offsetting collections. Also in fiscal year 2015, GAO will, pending final enactment of authorizing language, establish a Center for Audit Excellence to operate on a fee basis. It will serve to build institutional auditing capacity and promote good governance by providing affordable, relevant, and high-quality training, technical assistance, products, and services to personnel and organizations throughout the domestic and international auditing communities.

The fiscal year 2014 funding level enabled the rebuilding of staff capacity to optimize the benefits yielded for the Congress and the nation. Our ability to continue hiring efforts in fiscal year 2015 is contingent on the outcome of the full fiscal year 2015 appropriation.

GAO has been actively working to reduce costs for more than 4 years, and we are continuing to explore opportunities to enhance workforce and budget flexibilities, increase our effectiveness and efficiency, and further reduce our operating costs. For example, our ongoing enhanced office sharing and hoteling pilot is projected to continue to reduce infrastructure costs in fiscal year 2015. Additionally, 49,000 square feet of headquarters office space has been renovated and rented. This should generate \$2 million in annual rental income.

Collectively, these actions will help ensure that we have the capacity to provide accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight, produce results for the American people, and help enable us to meet the performance goals outlined in our strategic plan through fiscal year 2015.

## Management Challenges

### 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. We monitor our progress in addressing these challenges through our annual performance and accountability process, and ask our IG each year to comment on management's assessment of these challenges. For fiscal year 2015, we will continue focusing high-level management attention on human capital issues and on the challenge relating to improving the efficiency of our engagements and delivery of timely and quality information to the Congress. We have also identified an additional management challenge this year—information security.

### CHALLENGE: Human Capital

#### Overview

A diverse, engaged, motivated, and high-performing workforce enables GAO to effectively deliver on its mission in support of the Congress. To attract and retain this workforce, we need to strategically manage several human capital challenges in an ever present budget-conscious environment. These challenges include

- identifying and implementing effective and efficient processes to recruit and hire top talent for all levels;
- providing training and professional development opportunities that prepare the pipeline of future leadership talent;
- implementing, monitoring, and maintaining accountability of policies and programs that support the work-life balance needs of a diverse, mobile workforce, while attaining cost efficiencies and ensuring quality and efficiency in GAO's products;
- managing, monitoring, and analyzing our performance management system and performance-based compensation system; and
- supporting, maintaining, and promoting our commitment to diversity and inclusion in the workplace.

#### The Challenges for GAO

1. **Recruiting, hiring, and on-boarding.** Attracting top candidates; assessing applicants' knowledge, skills, and abilities against job-related criteria in an efficient and systematic manner; and effectively initiating new hires to an agency's culture and practices are government-wide challenges, and GAO is no exception. GAO is a knowledge-based organization that relies heavily on its skilled, experienced, and diverse workforce to deliver on our primary mission to support the Congress through evaluations and audits. As such, 80 percent of GAO's budget is allocated to our staffing needs. In recent years, GAO has had to reduce staffing due to extensive budget cuts, with fiscal year 2013 reaching an all time low since 1935.

To improve our hiring and on-boarding issues, in fiscal year 2014, GAO implemented some improvements. As a result, we significantly increased our hiring rate; our new hire rate was 88 percent, exceeding the target of 75 percent (see [Appendix on Data Quality](#)). While we are pleased to have exceeded our target, we are still driven to look at our processes to further improve our performance in the coming year.

- 2. Developing employees to address succession needs.** GAO has routinely identified Strategic Human Capital Management as a high risk across the government, with a special emphasis on succession planning. The 2013 High Risk Report states that, “Addressing complex challenges such as disaster response, national and homeland security, and economic stability requires a high-quality federal workforce able to work seamlessly with other agencies, levels of government, and across sectors. However, current budget and long-term fiscal pressures, coupled with a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge, threaten the government’s capacity to effectively address these and many other evolving, national issues.” GAO, as a key player across these issues and many others, faces this same management challenge.

GAO is employing strategic human capital planning that is integrated with our strategic planning to ensure that we have the talent needed to execute our mission, program, and goals, particularly within the context of a wave of potential retirements. Currently, about 38 percent of GAO’s senior executives, 21 percent of our Band III equivalents, and 14 percent of all staff are eligible to retire, and we project that an additional 5 percent of all staff will become eligible to retire by the end of 2016. GAO needs to be vigilant about succession planning so that staff who are eligible to advance to key management positions are provided with the training and other necessary development to ensure they have the requisite skills and experience for those positions when required. Although we experienced lower-than-expected attrition levels this year (about 6 percent in fiscal year 2014 versus the average historical attrition rate of 8 percent to 10 percent), it is vital that we continue to identify the critical skills and competencies that are needed to achieve current and future strategic outcomes; develop strategies tailored to address skills gaps; and monitor and evaluate our progress in closing skills gaps and meeting other human capital goals through the use of appropriate metrics.

- 3. Managing a mobile workforce.** Telework is a valuable recruitment and retention tool; reduces energy consumption, traffic congestion, and pollution; provides cost efficiencies; and allows the agency to continue to operate even when there are emergency building closures. GAO has had a telework program since 1991 that has allowed employees to work remotely up to 50 percent of their scheduled work hours. In 2010, GAO began a pilot of enhanced telework in its field offices (that allows employees to work remotely up to 80 percent of their scheduled work hours); all 11 field offices have been phased into this pilot as of 2014. GAO established two objectives for the enhanced telework pilot: (1) to allow the agency to reduce infrastructure costs and (2) to enhance flexibility for employees by allowing them to spend more of their time working from home or an alternate worksite. In addition, GAO established a key principle underlying both objectives—to maintain our historical levels of quality, productivity, and efficiency. To ensure achievement of our objectives and principle, GAO committed to the Congress and our staff in 2014 that we would comprehensively analyze the overall impact of enhanced telework on the agency’s work and culture before expanding the pilot to our headquarters’ staff.

4. **Consistently managing, monitoring, and analyzing our performance management system and performance-based compensation system.** In the past two years, we have implemented new performance management and performance-based compensation (PBC) systems to accurately document the achievements of, and reward, high performing employees. In fiscal year 2014, we implemented the new performance standards and PBC. To ensure agency-wide adoption of, and adherence to, the way the standards are applied and used to rate employee performance, we must continue to provide regular training for supervisors and communicate regularly to staff at each milestone in the annual performance cycle, and are committed to doing a comprehensive review of our system in fiscal year 2015 to identify what is working and what may need reconsideration.
5. **Maintaining and enhancing our commitment to diversity and inclusion in the workplace.** With the federal government serving a more diverse population than ever before, our effectiveness in helping the Congress understand and address the nation's needs is dependent on creating, supporting, and promoting a highly diverse workforce reflective of its constituents. In our Diversity and Inclusion Strategic Plan, we identify three goals to support our commitment: (1) workforce diversity, (2) workplace inclusion, and (3) sustainability. Our strong record for creating and maintaining an effective diversity environment reflects these goals, as evidenced by our number one ranking for diversity among midsize agencies in the 2013 Partnership for Public Service's Best Places to Work survey. Further, in recent years, we have developed and continue to provide a range of specialized trainings for staff at all levels that emphasize, among other things, open-mindedness and mindfulness, navigating the unwritten rules, hot buttons—words and actions, and a two-part diversity series required for all staff. While significant progress has been made, some areas require continued vigilance. We must continue to increase the representation of minorities and staff with disabilities in leadership positions; focus on the representation of Hispanics, people with disabilities, and veterans in our workplace; and maintain an inclusive work environment.

### *Our Progress and What Remains to Be Done*

In fiscal year 2014, we made progress in addressing our human capital challenges and achieved many noteworthy accomplishments. We plan to continue to continuously monitor each of these areas in fiscal year 2015 and build on the 2014 progress.

1. **Hiring.** We made significant progress in hiring and recruiting. In addition to hiring significantly more new employees in fiscal year 2014 over the prior fiscal year, we reconstituted our intern program with about 180 paid interns located both in headquarters and in our field offices. Having experienced interns helps us ensure that we have a strong pipeline for recruiting entry-level staff with a positive experience at GAO. We improved the effectiveness of our hiring process by using subject-matter-experts to assess the qualifications of candidates; leveraging additional hiring flexibilities (including a version of Office of Management and Budget's new Pathways program) to expedite the hiring for certain positions; and developing a transparent tracking and monitoring process for hiring, including enhanced senior management oversight.

We will continue to review our processes to further enhance our recruiting and hiring programs in fiscal year 2015. We plan to build on improvements made in 2014 to ensure that we effectively reach and evaluate candidates to close our critical skills gaps, and use the issues that we identified in our agency-wide 2014-2019 Strategic

Plan to articulate the skill sets and competencies that we anticipate will be needed in the future. We will look for ways to further streamline our hiring process through additional program oversight and performance metrics, and will work closely with our Human Capital Office to implement a multi-phased strategy to facilitate its role as a critical strategic business partner to ensure cohesive service delivery and efficiency of operations.

- 2. Developing employees.** In fiscal year 2014, we made progress in addressing our succession management challenges. We will graduate and place our current class of candidates for the Senior Executive Service (SES) Executive Candidate Assessment and Development Program in early fiscal year 2015, and plan to advertise and select a new class for development this year. We also focused our attention on creating and offering about 20 new courses to address emerging needs, particularly leadership, writing, and diversity and inclusion. We offered about 40 seminars, briefings, and support group sessions, including several virtual sessions for field-based and teleworking employees, to help staff enhance their knowledge and skills on a wide range of topics, including time management, workplace dynamics, interpersonal development, and financial literacy.

We will continue to prepare staff for leadership roles through enhanced training and a revamped leadership development curricula based on the in-depth analysis completed in fiscal year 2014. Further, we will continue to provide opportunities for promotion to management-level positions as identified through our workforce planning process and fill critical positions through our hiring process. We are looking at the possibility of implementing the government-wide phased retirement program as a way to foster the mentoring and training of employees who will assume top-level positions. We will strengthen the training offerings in the analyst community, using available technologies and methods to deliver courses remotely. We will also re-establish and update our agency-wide mentoring program to help staff develop their careers, manage their work environments, and become effective leaders and team players.

- 3. Managing a mobile workforce.** We completed implementation of enhanced telework pilots, including workspace sharing and hoteling capabilities, in all 11 field offices to help staff address work-life balance issues and achieve infrastructure cost savings. Since the launch of the first enhanced telework pilot in 2011, we have routinely surveyed the participating field offices to gauge employee satisfaction with the pilot. Overall, the survey results are positive in the areas of work-life balance, sense of efficiency and productivity, and employees' ability to get their work done. The survey areas that indicate less satisfaction include informal interaction and collaboration, as well as technology. We augmented these office-specific surveys in fiscal year 2014 with an agency-wide survey to help with our comprehensive evaluation.

We began a comprehensive analysis of our telework program pilot in fiscal year 2014 to evaluate the extent to which enhanced telework may impact quality, productivity, and efficiency; work-life balance, morale, and client relations; reduction in infrastructure costs; and existing policies, procedures, and practices. We expect to complete this analysis in early fiscal year 2015 and plan to use the results to help inform any changes to the program that may be necessary. To help supervisors better manage teleworking employees and to facilitate information sharing, we are developing two training courses—one for managers and the other for all staff—that will ensure that all staff understand the principles and requirements of telework, as well as better ways to

manage a mobile environment. We also plan to revise the telework application and approval system, and will closely monitor program data in fiscal year 2015 to assess the extent to which teleworkers and their supervisors are complying with our telework policy and protocols.

4. **Performance-based compensation (PBC) and performance management.** We brought to completion a multiyear project to implement our new PBC system and monitored the implementation of this system through periodic pulse surveys and discussion sessions. We provided numerous briefings for staff on the new PBC system and training sessions for supervisors to familiarize them with their role and responsibilities in providing effective performance management. We will continue to assess the implementation of our PBC and performance management systems.
5. **Diversity and inclusion.** We have maintained our reputation as one of the best places to work in government as reported by the Partnership for Public Service and have remained among the Partnership's top five agencies since 2005. In fiscal year 2013, we were ranked number one among midsize federal agencies for our support of diversity, and continued to take steps toward fostering a more inclusive work environment. Building on the work of the diversity teams we established in 2013 to implement team- and unit-specific diversity action plans, we created a diversity and inclusion community of practice in fiscal year 2014 to support and enhance the efforts of these teams, to provide a centralized resource for employees seeking information on diversity-related topics, and to share best practices and encourage open dialogue. To address the challenge of increasing the representation of minorities and staff with disabilities in leadership positions and continuing to focus on the representation of Hispanics, people with disabilities, and veterans in our workplace, of the total hires we made in fiscal year 2014, nearly one-third were minorities. Additionally, of the staff who were promoted in the same time frame, minorities represented 35 percent, veterans represented 4 percent, and people with disabilities represented 3 percent of all promotions. We also continued to support a strong reasonable accommodation program, fulfilling more than 180 reasonable accommodation requests in this fiscal year.

Maintaining an inclusive, equitable, and respectful work environment guides the implementation of our human capital programs. We will continue to consult with our union partners to ensure that staff issues are considered as we implement new or modify existing policies and programs so that we can continue to motivate, engage, and retain our employees. We will undertake these endeavors with a full understanding of the constrained budget environment, and will look for innovative ways to improve the efficiency of our operations through resource sharing and the leveraging of technology.

## **CHALLENGE: Improving the Efficiency of Our Engagements**

### *Overview*

In 2011, we identified improving the efficiency of our engagements as a new management challenge. With the many complex challenges facing the Congress and the nation, and in light of ongoing budget constraints, we recognized the need to look for ways to produce our reports and analyses more quickly and efficiently without sacrificing quality.

Since 2011, we have made great strides in identifying ways we can gain efficiencies in the engagement process, and have implemented a number of recommendations. The Continuous Process Improvement Office (CPIO) and an executive level leadership board were created in 2012 to guide and carry out the assessments, projects, and change management necessary to implement needed efficiency solutions.

### *The Challenges for GAO*

1. **Technology.** While we have successfully implemented a number of efficiency measures agency-wide, our ongoing challenge is matching current technology options with our work-flow-process needs to introduce even greater efficiencies into the way we do our work. For example, due to the unique way we perform certain phases of the engagement writing process, our challenge to modernize is procuring a software platform that meets our key business needs.
2. **Change management.** Change takes time and must be rolled out according to the greatest needs and priorities of the agency. We have focused significant resources on developing a suite of efficiency improvements such as revised procedures, job aids, and tools, but now need to focus on managing the people side of change and expand outreach with staff to ensure acceptance and use so that we achieve the desired efficiency gains. A key component of this is listening to employee feedback and making revisions along the way as needed.

### *Our Progress and What Remains to Be Done*

1. **Technology.** Leveraging current technology more effectively and introducing new technology to address critical gaps are two important ways we seek to introduce efficiencies into the engagement process. We were successful in retiring one legacy system through implementation of a new engagement management system (EMS) and initiating a pilot to test other EMS modules that will eventually enable us to retire two additional legacy systems. This pilot has been extremely successful in generating significant enthusiasm for the new system as well as working out system bugs and identifying additional reporting and functional enhancements that will be added over time. We expect to begin rolling out this system agency-wide in 2015 and doing so will significantly reduce re-work on the part of analyst and support staff and substantially improve managers' access to information about their portfolio of engagements. In addition, we are on track to issue a Request for Proposal (RFP) in fiscal year 2015 for a software platform to improve how we draft, review, edit, verify, publish, and distribute GAO products.
2. **Change management.** The success of our efforts to effect change and bring efficiencies to the engagement process is a direct result of the continuous effort we make to engage and employ staff from all teams and levels across the agency in our work; in the past year, nearly 150 staff and managers were involved in process improvement projects. We communicate consistently and routinely with staff about implemented and ongoing projects in a variety of ways, from hosting in-person agency-wide meetings, project-specific learning sessions, and briefings to individual GAO units and teams, to issuing agency-wide written communications about projects via information sheets, GAO's intranet, email announcements, and articles in GAO's bi-weekly newsletter.

To ensure managers are aware of changes and their responsibilities in assisting with implementing changes, we initiated several new outreach efforts in fiscal year 2014, including holding periodic agency-wide managers meetings with GAO's Executive Committee, Senior Executive Corps (Directors and Managing Directors), and Assistant Directors. In addition, to ensure engagement staff and managers are aware of engagement-related procedures that may have changed from the last time they went through them, we send engagement leaders an email with relevant information and links when their engagement passes key milestones. Lastly, we conducted a second survey to gauge awareness and reaction to process improvement projects and solutions that showed that we have continued to raise awareness, but more work remains in specific areas such as ensuring a clear understanding of engagement management process changes that will go into effect along with EMS roll-out in 2015. The survey found, however, that a majority of staff who have utilized implemented solutions found them to be beneficial.

CPIO continues to meet monthly with its executive-level governance board to report on progress and obtain guidance and direction. In addition, CPIO staff continue to obtain relevant technical training in process improvement and change management to continue to build needed expertise and capacity to sustain GAO's improvement efforts. Finally, we are adding capacity to CPIO and expanding change management training to assist in these efforts. For example, in fiscal year 2015, GAO's Executive Committee and Managing Directors will also receive change management training to equip them with the requisite skills to ensure they are effective sponsors and champions of change.

## CHALLENGE: Information Security

### Overview

Federal information security has been on GAO's list of high-risk areas since 1997. Risks to information and communication systems include insider threats from disaffected or careless employees, escalating and emerging threats from around the globe, the ease of obtaining and using hacking tools, the steady advance in the sophistication of attack technology, and the emergence of new and more destructive attacks. In fiscal year 2012, inspectors general at 22 of 24 agencies cited information security as a major challenge for their agency.

From 2002 to 2011, we identified information security as a management challenge, given the constantly evolving nature of threats to information and information system assets. In 2012, following 3 years of clean IG assessments on the implementation and continuous monitoring of our information security program, we removed information security from our list of challenges. Due, however, to the rapidity and constancy of possible cyber threats to our network, and the need for constant vigilance of our software and hardware configuration, we are electing to bring information security back as a management challenge. To address this challenge, we have identified five areas of opportunity for improved management and oversight of our information security systems and processes.

## *The Challenges for GAO*

1. **Limiting, preventing, and protecting inappropriate access to computer resources.** Cyber security continues to be a challenge due to shifts in security threats, a complex information systems landscape, and evolving security infrastructure. As such, information systems security management continues to be a critical activity in ensuring that our information and information system assets are effectively safeguarded. Recent attacks on some federal agencies' networks, GAO included, have heightened our awareness of, and responsiveness to, such threats. We are strengthening our focus and resources on a more robust security tools suite and on enhanced security monitoring techniques to ensure that the enterprise infrastructure effectively protects our information resources.
2. **Managing the configuration of software and hardware.** Advanced, persistent threats to our information and information system assets make implementing security configuration standards across legacy and new technology a growing challenge. Consequently, this requires continuous technology and deployment schedule updates to facilitate risk mitigation and meet business requirements. GAO's plans to transition to an increasingly virtual environment will enable more consistent configuration and reduce the instances of specialized systems deployments. This should better ensure the overall protections of our information systems. We recognize that a virtualized environment also presents challenges, and we will have to identify and monitor these challenges moving forward.
3. **Segregating duties to ensure that a single individual does not control all key aspects of computer-related operations.** Limited resources continue to challenge management when segregating duties across IT operations. Shared network responsibilities and staff with multiple operational roles complicate the effective implementation of this effort. As GAO's information infrastructure continues to evolve, we will enhance our oversight of staff account privileges, and apply updated criteria in making future determinations for account access. Further, we will make changes to control and manage the operational requirements for system administrators.
4. **Planning for continuity of operations in the event of a disaster or disruption.** The necessity of an "always available" information systems environment makes providing the optimal level of computer operations in periods of duress a management challenge. As part of our effort to upgrade our current IT infrastructure and address evolving business practices (e.g., the expansion of our enhanced telework pilot), we recognize that continuity functionality is a critical element of our plan, and will validate new applications and user environments to ensure this functionality.
5. **Implementing agency-wide information security management programs that are critical to identifying control deficiencies, resolving problems, and managing risks on an ongoing basis.** GAO has made progress in acquiring support from business and system owners to the benefit of our FISMA requirements; nonetheless, these efforts have focused on the individual systems and we recognize the need for an overarching enterprise security perspective. GAO plans to review its agency-wide enterprise security perspective and prioritize remediation efforts to address any deficiencies. We will revisit our governing body oversight to identify the most effective mechanism for managing risk associated with the changing security environment.

## Mitigating External Factors

In addition to the resource constraints and uncertainty of the budget for fiscal year 2015, 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 892 congressional requests and new mandates in fiscal year 2014. To be prepared to address timely and relevant issues, we use the seven broad trends identified in our strategic plan to guide our work plans. We also communicate frequently with our congressional clients to stay abreast of their interests as unanticipated shifts in congressional priorities can change the mix of work we are asked to perform. In addition, each year we conduct some evaluations under the Comptroller General's authority to address priority issues we identify. We 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. For example, to address crosscutting mandates we have used multidisciplinary teams composed of staff from across the agency. We devoted 33 percent of our audit resources to mandates in fiscal year 2014. In addition, 56 percent of the work we completed in fiscal year 2014 was based on bipartisan requests and mandates. The 4-year average for our bipartisan work is almost 60 percent. We are also working with the Congress to revise or eliminate mandates that have outlived their usefulness. Moreover, the House rules require each standing committee or subcommittee to hold at least one hearing on issues raised by us indicating that federal programs or operations authorized by the committee are at high risk for fraud, waste, abuse, or mismanagement (see [p. 40](#) for more information about our high-risk areas).

Another external factor that affects our ability to serve the Congress is the extent to which we can obtain access to agency information. This access to information plays an essential role in our ability to report on issues of importance to the Congress and the American people. Executive departments and agencies are generally very cooperative in providing us access to the information we need. It is fairly rare for an agency to deny us access to information, and rarer still for an agency to refuse to work toward an accommodation that will allow us to do our work.

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 with the executive branch to enhance our access to information. In fiscal year 2014, GAO has been experiencing difficulty with the State Department and U.S. Agency for International Development (USAID) providing copies of documents deemed to be Sensitive But Unclassified (SBU). Other executive branch agencies routinely provide copies of SBU documents to GAO analysts. GAO is currently engaged in ongoing discussions with senior officials at both the State Department and USAID regarding changes to their policies that will enable GAO to effectively and efficiently carry out GAO's mission.

Another issue relating to our access to information is in the context of the Intelligence Community. As we have reported for the past several years, the Director of National Intelligence, in consultation with the Comptroller General, issued a written directive in 2011 governing our access to information in the possession of an element of the Intelligence Community, Intelligence Community Directive (ICD) 114. The directive was designed to address the historic challenges that we have experienced in gaining access to information in the Intelligence Community, and it contains a number of provisions promoting constructive interaction between us and elements of the Intelligence Community, such as establishing a presumption of cooperation with us. However, we continue to have concerns with how several key terms in the directive could be interpreted, since they are framed as areas where information would generally not be available to us for certain audits or reviews. It is crucial that these terms and the overall directive be carefully implemented and monitored to ensure that we are able to obtain the information we need to assist the Congress in its oversight responsibilities. In fiscal year 2014, we successfully worked through a number of issues with various elements of the Intelligence Community related to obtaining information we requested. We will continue to monitor the implementation of ICD 114 moving forward.

We devote a high level of attention to monitoring and aggressively pursuing access issues as they arise. We appreciate the interest of the Congress in helping to ensure that we obtain access to information and the efforts by agencies to cooperate with our requests.

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GAO



# Part II

## Performance Information

SERVING CONGRESS AND THE NATION



Source: GAO | GAO-15-1SP

## Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2014 performance results. For goals 1, 2, and 3—our external goals—we present performance results for the three annual measures that we assess at the goal level as well as accomplishments under the strategic objectives for these goals. Most teams and units also contributed toward meeting the targets for the agency-wide measures that were discussed in [part I](#) of this report. For goal 4—our internal goal—we present selected work and accomplishments for that goal’s strategic objectives. There were no changes in our strategic goals or measures during fiscal year 2014.



Source: See Image Sources

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 the American people and American communities. Our multiyear (fiscal years 2014-2019) strategic objectives under this goal are to provide information that will help address

- financing and programs to serve the health needs of an aging and diverse population;
- lifelong learning to enhance U.S. competitiveness;
- benefits and protections for workers, families, and children;
- financial security and well-being of an aging population;
- a responsive, fair, and effective system of justice;
- housing finance and viable communities;
- a stable financial system and sufficient consumer protection;
- responsible stewardship of natural resources and the environment; and
- a viable, safe, secure, and accessible national physical infrastructure.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure.

### Example of Work under Goal 1

Regulations under Title IX of the Education Amendments of 1972 require schools to establish procedures to protect students from sexual abuse by school personnel. In 2014, we reported that school officials thought the Department of Education's guidance was limited and they were unsure about how to apply the requirements in K-12 settings. In response to our recommendations, Education released new guidance clarifying Title IX sexual abuse prohibitions and requiring procedures to prevent and respond to complaints of sexual violence. These steps will protect students by helping schools better identify and respond to possible abuse. ([GAO-14-42](#))

To accomplish our work under these strategic objectives in fiscal year 2014, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies. As shown in [table 9](#), we met the target set for financial and other benefits for goal 1, but we did not meet the target for testimonies.

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

Performance measure	2009 actual	2010 actual	2011 actual	2012 actual <sup>a</sup>	2013 actual <sup>a</sup>	2014 target <sup>b</sup>	2014 actual	Met/ not met	2015 target
Financial benefits (dollars in billions)	\$12.1	\$17.8	\$12.6	\$25.7	\$22	\$13	\$15.5	Met	15.5
Other benefits	224	233	243	275	271	231	240	Met	230
Testimonies	85	86	84	61	60	64	57	Not Met	63

Source: GAO | GAO-15-1SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target as we have left a portion of the financial benefits target unassigned in 2015. Experience leads us to believe that we can meet the agency-wide target but we cannot always accurately predict under which goals.

<sup>a</sup>In fiscal years 2012 and 2013, we achieved some unexpectedly large financial benefits, however, we did not expect this level of results in fiscal year 2014.

<sup>b</sup>Our fiscal year 2014 targets for two of the three performance measures differ from those we reported in our fiscal year 2014 performance plan in December 2013. Specifically, we have increased the financial benefits target from \$12.5 billion to \$13 billion and decreased the testimony target from 70 to 64 (see [Setting Performance Targets](#)).

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year. These averages are shown below in [table 10](#). This table indicates that the 4-year average for goal 1 financial benefits declined from fiscal year 2009 to 2010. This decline was mostly because of some large financial benefits from earlier years that are reflected in the averages. Financial benefits were stable from fiscal year 2010 to 2011, increased in fiscal years 2012 and 2013, and declined slightly in fiscal year 2014. Goal 1's other benefits declined slightly from fiscal year 2009 to 2010 and then increased from 2011 through 2014. The average number of hearings at which we testified remained fairly stable in 2009 and 2010, but has declined since 2011.

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

Performance measure	2009	2010	2011	2012	2013	2014
Financial benefits (dollars in billions)	\$16.6	\$15.5	\$15.5	\$17.1	\$19.5	\$19.0
Other benefits	239	230	232	244	256	257
Testimonies	108	105	95	79	73	66

Source: GAO | GAO-15-1SP

The following sections describe our performance under goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2015.

## Financial Benefits

The financial benefits reported for this goal in fiscal year 2014 totaled \$15.5 billion, exceeding the target we set by \$2.5 billion. Among these accomplishments are large financial savings from our work that resulted in eliminating the ethanol tax credit for corn, revising bundled payment rates for certain injectable drugs under Medicare Part B, returning unobligated balances from the Department of Agriculture to the Treasury Department, and reducing losses by the Department of Housing and Urban Development when it sells repossessed houses. We set the target for fiscal year 2015 at \$15.5 billion based on our recent performance and discussions with the goal 1 teams about the level of benefits they believe they can achieve.

### Example of Goal 1's Financial Benefits

We found that a federal ethanol tax credit was duplicative with a federal renewable fuel standard that requires U.S. transportation fuels to contain certain volumes of biofuels, such as ethanol. In 2011, along with the fuel standard, the Congress supported domestic ethanol production through a \$5.7 billion tax credit program, which provided a 45-cent-per-gallon federal tax credit to fuel blenders that purchase and blend ethanol with gasoline. We advised the Congress to consider allowing the tax credit to expire. The Congress took no action to extend the tax credit, which had been active in various forms since 1979, and it expired at the end of 2011. In fiscal year 2013, the tax expenditure savings totaled \$6.1 billion. (GAO-11-318SP, GAO-09-446)

## Other Benefits

Other benefits reported for goal 1 in fiscal year 2014 totaled 240, exceeding our target of 231 by 9 benefits. The majority of goal 1's other benefits were in the areas of public safety and security and program efficiency and effectiveness. For fiscal year 2015, we set our target at 230 for these other benefits based on our recent experience.

### Example of Goal 1's Other Benefits

The 2007 Virginia Tech shooting raised questions about how individuals with disqualifying mental illnesses can still obtain firearms, despite a background check process that should prevent them from completing purchases. Our July 2012 review of the National Instant Criminal Background Check System found that 12 states had made progress making mental health records available for firearm checks. Technological, legal, and other challenges limited progress in most other states. To help other states address barriers to mental health record reporting, the Department of Justice implemented our recommendation to share successful states' practices. (GAO-12-684)

## Testimonies

Our witnesses testified at 57 congressional hearings related to goal 1, which fell short of the fiscal year 2014 target of 64 by 7 testimonies. Among the topics on which we testified were efforts to provide veterans with timely outpatient medical care, oil and gas management, expectations of government support for large bank holding companies, retirement security trends and vulnerabilities, federal fiscal exposure from climate risks, and protecting consumers' location data. (See [fig. 14](#) for selected testimony topics by goal.) We set our fiscal year 2015 target at 63 testimonies on goal 1 issues based on our experience over the past few years.

### Example of Goal 1's Testimonies

In April 2014, we testified on our preliminary work examining the Department of Veterans Affairs' (VA), Veterans Health Administration's (VHA) management of outpatient specialty care consults. We identified examples of delays in veterans receiving outpatient specialty care, as well as limitations in the implementation of new consult business rules designed to standardize aspects of the clinical consult process. For example, for 4 of the 10 physical therapy consults GAO reviewed for one VA medical center, between 108 and 152 days elapsed with no apparent actions taken to schedule an appointment for the veteran. This built on our 2012 work which found that VHA's outpatient medical appointment wait times were unreliable. (GAO-14-620T)

[Table 11](#) provides examples of goal 1 accomplishments and contributions.

Table 11: Goal 1 Accomplishments and Contributions

Health Care Needs and Financing	
<b>Clarifying Guidance to Ensure Proper Medicare Payments</b>	In 2011, the Centers for Medicare & Medicaid Services (CMS) implemented the low-volume payment adjustment (LVPA) to compensate low-volume dialysis facilities for the higher costs they incur. Our 2013 report found that in 2011, Medicare overpaid ineligible facilities and did not pay some eligible facilities. We found that unclear guidance was one of the primary causes of these improper payments. Therefore, we recommended that CMS ensure its LVPA regulations and guidance are clear, timely, and effectively disseminated. In response, CMS clarified its guidance to help ensure that Medicare pays dialysis facilities appropriately. ( <a href="#">GAO-13-287</a> )
<b>Mitigating Risks of Defective Medical Devices</b>	In our 2011 report on the Food and Drug Administration's (FDA) oversight of medical device recalls, we found that FDA had not routinely reviewed recall data to determine whether there were systemic problems underlying data trends. We recommended that FDA establish a program to use the data to proactively identify mitigating strategies for the health risks that defective or unsafe devices present. In March 2014, FDA issued a report analyzing recall data as part of an initiative to optimize the public health benefits of timely and effective recalls and improve the quality of the millions of medical devices used in health care settings each day. ( <a href="#">GAO-11-468</a> )
<b>Improving Monitoring of Antibiotic Resistant Infections</b>	In 2011, we identified gaps in the Centers for Disease Control and Prevention's (CDC) monitoring of antibiotic-resistant infections in medical facilities, and recommended implementing a strategy to improve monitoring. In 2013, CDC issued a strategy document that reported the estimated number of individuals who have developed antibiotic-resistant infections including those acquired in medical facilities; the estimated number of deaths associated with antibiotic-resistant infections; and the results of CDC's first-ever threat classification of antibiotic-resistant bacteria, which helps prioritize infection monitoring. ( <a href="#">GAO-11-406</a> )
<b>Reducing Duplication in the National Medicaid Audit Program</b>	In a 2012 report, we found that the Centers for Medicare & Medicaid Services (CMS) hired contractors to separately review claims data and audit health care providers for its National Medicaid Audit Program (NMAP). We found that this duplicated contractors' work and burdened state program integrity resources. We recommended that CMS merge contractor functions within a state or region. As a result, CMS let the review contract expire in 2013 and reconfigured NMAP to eliminate the review contractor function entirely. By eliminating duplication in the review function, CMS will realize greater efficiencies in its audits and reduce state burden. ( <a href="#">GAO-13-50</a> )
Lifelong Learning	
<b>Improving Employment and Training Services</b>	Since 2004, our reports on the Workforce Investment Act and employment and training programs identified overlap across programs and recommended improvements to performance measures, program evaluation, and working with employers. While the Department of Labor (DOL) began to address these recommendations, the Congress enacted the Workforce Innovation and Opportunity Act in 2014 with provisions that take these actions further. The act requires DOL to establish performance indicators measuring program effectiveness in serving employers, time frames for submitting research, stakeholder involvement in its research plan, and peer review criteria. ( <a href="#">GAO-12-97</a> , <a href="#">GAO-10-243</a> , <a href="#">GAO-04-657</a> )

<p><b>Strengthening Education Through Research</b></p>	<p>Our reports assessing the performance of the Institute of Education Sciences (IES)—the research arm of the Department of Education—found that although it has upgraded the quality and rigor of education research, its work is frequently neither timely nor relevant for stakeholders. Our 2013 testimony and 2014 report identified steps that IES could take to improve its performance. Our work was used to develop the Strengthening Education through Research Act, which passed the House in May 2014. The act requires that IES set timeliness measures and that its work be relevant, widely disseminated, and include stakeholder input, which we recommended. (<a href="#">GAO-14-8</a>, <a href="#">GAO-13-852T</a>)</p>
<p><b>Benefits and Protection for Workers, Families, and Children</b></p>	
<p><b>Strengthening Oversight of Federal Student Loans</b></p>	<p>As of fiscal year 2013, about \$94 billion of federal student loans were in default. Our 2014 work on the Department of Education’s loan rehabilitation program found weaknesses in contractor oversight that delayed removing defaults from the credit reports of borrowers with rehabilitated loans. GAO also determined that fluctuations in student loan program costs will make it difficult to set borrower interest rates to consistently balance federal revenues with costs. GAO recommended strengthening oversight to help borrowers and reduce the government’s financial risk. Education agreed and plans to improve its oversight. (<a href="#">GAO-14-256</a>, <a href="#">GAO-14-426T</a>)</p>
<p><b>Improving Management Controls at the National Mediation Board</b></p>	<p>In December 2013, we reported that the National Mediation Board (NMB), which facilitates labor relations in the railroad and airline industries, lacks key management controls that could put its resources and its success at risk. In response to our recommendations for improving these controls, NMB posted its congressional budget submission documents on its website, developed a checklist to ensure compliance with procurement procedures, and updated and posted its strategic plan. In addition, the Congress held a hearing and drafted legislation addressing our suggestion to establish Inspector General services for NMB. (<a href="#">GAO-14-5</a>)</p>
<p><b>Supporting the Financial Security and Well-being of an Aging Population</b></p>	
<p><b>Protecting Participants in 401(k) Managed Accounts</b></p>	<p>In June 2014, we found that participants in managed 401(k) savings accounts had more diversified investments and saved more than non-participants, but might be paying higher fees. We found that participants do not get key performance data to make effective account decisions, so some may pay higher fees than others and limited guidance from the Department of Labor (DOL) makes it difficult to effectively compare account providers. DOL agreed to address our recommendations to clarify providers’ fiduciary roles, require disclosure of performance and benchmarking information, and offer guidance to improve provider oversight, but has not yet taken action. (<a href="#">GAO-14-310</a>)</p>
<p><b>Housing Finance and Viable Communities</b></p>	
<p><b>Enhancing Borrower Remediation for Unsafe and Unsound Mortgage Servicing</b></p>	<p>In 2011 and 2012, regulators issued consent orders against 16 mortgage servicers for unsafe and unsound foreclosure practices and required borrower remediation. Our reports in 2012-2014 found that the Office of the Comptroller of the Currency and the Federal Reserve missed opportunities to effectively plan, monitor, and communicate about the remediation process. In response to our recommendations, regulators improved guidance, set monitoring expectations, and increased borrower outreach and public communication. These actions helped ensure that borrowers were better informed and remediation payments were sent to about 4.4 million borrowers. (<a href="#">GAO-14-376</a>, <a href="#">GAO-13-277</a>, <a href="#">GAO-12-776</a>)</p>

## Stable Financial System and Sufficient Consumer Protection

<b>Improving Oversight of Bank Risks</b>	<p>After banks incurred large losses from trading bonds or other assets with their own funds, the Dodd-Frank Act prohibited certain types of proprietary trading. In a 2011 report, we recommended that financial regulators collect information on these trading activities to help them implement the restriction. In response, regulators reviewed trading data before issuing the final rules implementing the restriction in December 2013. The rules also identify trading data some firms will have to report to regulators. As a result, regulators should have better information to help them reduce the risk that banks will incur large trading losses. (<a href="#">GAO-11-529</a>)</p>
<b>Strengthening Oversight of Real Estate Appraisals</b>	<p>In 2012, we reviewed the Appraisal Subcommittee (ASC), an agency that monitors implementation of real estate appraisal requirements. We found that ASC did not have appropriate procedures for assessing states' compliance with statutory requirements, monitoring the appraisal requirements of federal financial regulators, or determining eligibility for ASC grants. In response to our recommendations, in 2012 and 2013 ASC revised its system for evaluating states and developed policies for monitoring appraisal requirements and identifying activities eligible for grants. These actions should increase ASC's transparency and effectiveness. (<a href="#">GAO-12-147</a>)</p>
<b>Improving Access to Foreclosure Prevention Assistance for non-English Speakers</b>	<p>Our mandated 2014 report on the Troubled Asset Relief Program showed that borrowers with limited English proficiency (LEP) seeking help under the Making Home Affordable (MHA) program might not receive consistent treatment across servicers. In February 2014, we recommended that the Department of the Treasury issue guidance to servicers on working with LEP borrowers. In April 2014, Treasury issued guidance requiring servicers to ensure effective communication with all borrowers, including LEP borrowers. As a result, LEP borrowers are more likely to receive equal treatment across servicers and have equal access to the MHA program. (<a href="#">GAO-14-117</a>)</p>
<b>Improving Federal Employees' Group Life Insurance Program Disclosures</b>	<p>In 2012, we reported that disclosures for the Federal Employees' Group Life Insurance program (FEGLI) did not clearly explain that the program's basic premium rate was the same for all enrollees and could be more expensive than other life insurance, particularly in the early years of a policy. It was also unclear that premiums paid while working prefunded FEGLI coverage, so it could be continued at no cost into retirement. As a result of our recommendations, the Office of Personnel Management revised the program handbook and website to improve these disclosures, which will help employees make informed decisions about purchasing coverage. (<a href="#">GAO-12-94</a>)</p>
<b>Reducing Risks from Genetically Engineered Crops</b>	<p>We examined federal oversight of genetically engineered (GE) crops after unauthorized releases of GE crops into the food supply led trading partners to cancel purchases worth hundreds of millions of dollars. To improve oversight, we recommended that the U.S. Department of Agriculture and the Food and Drug Administration formally agree to share information about GE crops with traits that could harm human health or lead to financial loss for farmers. In response, the agencies, along with the Environmental Protection Agency, in 2011, agreed to create a process for sharing confidential business information about the GE crops and foods they regulate. (<a href="#">GAO-09-60</a>)</p>

## Stewardship of Natural Resources and the Environment

<b>Improving Monitoring of Unregulated Contaminants</b>	In our May 2011 report, we identified shortcomings in the Environmental Protection Agency’s (EPA) program for monitoring unregulated contaminants in drinking water. We found that monitoring levels were insufficient to detect the presence of some contaminants at levels of public health concern. As a result of our work, in May 2012, EPA published a new rule requiring public water systems to use more robust monitoring approaches; monitor for 30 contaminants (the maximum number authorized by law); and set monitoring levels more likely to detect contaminants at levels of public health concern. ( <a href="#">GAO-14-103</a> , <a href="#">GAO-11-254</a> )
<b>Terminating Fixed Farm Payments for Billions in Savings</b>	In a series of reports and testimonies from 2009 through 2012, we suggested that the Congress consider reducing or eliminating direct payments to farmers—fixed, annual payments made regardless of whether the farmer grew crops and even in years of record crop prices and farm income. In February 2014, the Congress eliminated these direct payments when it passed the Agricultural Act of 2014 without reauthorizing them. Eliminating direct payments will save about \$4.9 billion annually from fiscal years 2015 through 2019, according to the Congressional Budget Office. ( <a href="#">GAO-12-640</a> , <a href="#">GAO-12-338SP</a> , <a href="#">GAO-11-318SP</a> , <a href="#">GAO-11-441T</a> , <a href="#">GAO-11-635T</a> )
<b>Improving U.S. Border Patrol’s Access to Federal Lands along the Southwest Border</b>	In a fiscal year 2011 report, we found that U.S. Border Patrol’s access to some federal lands along the southwestern border was limited in part because of delays in complying with land management laws. These laws require environmental or historic property assessments before access permits can be granted. We recommended that Border Patrol and land management agencies develop agreements that would allow Border Patrol to use its own resources to conduct the assessments. Our work resulted in two agreements in 2012 and 2013 that allowed for Border Patrol to use its resources in this manner, improving Border Patrol operations while also protecting natural and cultural resources. ( <a href="#">GAO-11-38</a> )
<b>Ensuring the Continued Sale and Delivery of Federal Helium</b>	Revenue from selling helium from the federal government’s reserve went to a revolving Helium Fund, which was used to fund the Department of the Interior’s Bureau of Land Management’s (BLM) helium program. The Helium Fund was projected to terminate at the end of fiscal year 2013. We testified that the program would not have a funding mechanism after the Fund ended. The Congress subsequently passed the Helium Stewardship Act of 2013, enacted in October 2013, establishing a new funding mechanism and authorizing continued sales of federal helium. Under the act, BLM continued its helium sales in fiscal year 2014, generating \$193 million in revenue. ( <a href="#">GAO-13-351T</a> )
<b>Eliminating the Use of Royalty-In-Kind Oil for the Strategic Petroleum Reserve</b>	In 2008, we testified that purchasing oil to fill the Strategic Petroleum Reserve (SPR) may be more cost-effective for the Department of Energy than using royalty-in-kind (RIK) oil produced from federal leases. Through the Bipartisan Budget Act of 2013, the Congress repealed the authority of the SPR program to acquire oil using RIK oil. The Congressional Budget Office estimates that purchasing oil for the SPR rather than using RIK oil will result in \$3.2 billion in savings over 10 years. ( <a href="#">GAO-08-726T</a> )

**Realizing Savings from Better Management of Energy Efficiency Standards** In January 2007, we reported that the Department of Energy (DOE) had missed all 34 congressional deadlines for setting minimum energy efficiency standards for 20 industrial and consumer product categories. We recommended—and DOE implemented—multiple improvements to the program and its rulemaking processes that have helped DOE catch up on setting these standards and will result in significant energy savings. For example, according to DOE, standards for pool heaters and residential furnaces, which became mandatory in 2013, will save approximately \$46 billion over about 30 years and avoid about 127 million metric tons of carbon dioxide emissions. ([GAO-07-42](#))

## Viable National Infrastructure

**Improving Protection of Consumers' Location Privacy** In a June 2014 testimony, we reported that consumers can benefit from location-based services, such as in-car navigation, but that their privacy may be at risk. Privacy advocates and policymakers have raised concerns about identity theft, stalking, and other invasions of privacy that may occur when companies collect and share consumers' location data. We recommended that the Federal Trade Commission (FTC) consider issuing guidance that established its views of the appropriate actions to protect the privacy of mobile location data; FTC subsequently issued this guidance. These efforts can help mitigate consumers' privacy risks. ([GAO-14-649T](#))

**Improving Oversight of VA Medical Facility Leases** VA has faced major criticism from the Congress and the public over veterans' access to health care. In 2014, we reported on schedule delays and cost increases in VA's leasing of veterans healthcare facilities. The lease projects we reviewed were valued at \$2.5 billion and had schedule delays averaging 3.3 years. First-year lease costs increased a total of \$34 million—an annual cost extending over the 20-year life of the leases—primarily due to delays and scope changes to projects. Our report provided the Congress with key information to consider in the oversight of the VA leases needed to improve veterans' access to health care. ([GAO-14-237](#))

**Making Reporting of Facility Maintenance and Repair Funding More Transparent** In 2008 and 2014, we reported that deferred maintenance and repairs—totaling billions of dollars—reduce the useful life of federal facilities. In 2014, we found that while selected agencies followed most leading practices in managing facility maintenance and repair, they generally did not follow the leading practice of transparently reporting on maintenance and repair funding. The Office of Management and Budget (OMB) also lacked a mechanism to collect information on annual maintenance and repair funding and its effect on backlogs. OMB agreed with our recommendations to collect and report information, which could improve oversight and management. ([GAO-14-188](#))

**Improving Management of Rural Broadband Projects** Broadband infrastructure enables high-speed Internet, video, and voice services. In 2014, we identified challenges that the Department of Agriculture's (USDA) Rural Utilities Service (RUS) faces in funding broadband infrastructure in rural areas. We found that RUS had not collected or analyzed data on why some funded projects fail. We recommended that USDA identify project characteristics that may indicate failure risk, and compare project results to performance goals. USDA generally agreed and stated it will strive to implement these changes, which could help policymakers fund projects with the best chance of success. ([GAO-14-471](#), [GAO-14-511](#))

**Improving Highway Safety**

In 2010, the Department of Transportation’s (DOT) Federal Motor Carrier Safety Administration (FMCSA) designed a tool that identifies commercial truck and bus companies at high risk of causing a crash. It more than doubled the number of FMCSA’s annual warning letters. In 2014, we reported that data quantity and quality limit a key component of the tool—the Safety Measurement System (SMS)—in precision and confidence. To address limitations and further improve highway safety, we recommended that FMCSA revise SMS, providing an alternative that better determined risk. DOT said it would analyze the recommendation during its review process. ([GAO-14-114](#))

**Ensuring a Sufficient Aviation Workforce for Maintaining a Robust Aviation Industry**

Air transportation contributes billions to the U.S. economy annually, accounts for 450,000 jobs, and is poised to grow. In 2014, we evaluated aviation stakeholders’ concerns about the current and future supply of airline pilots and aviation professionals (aerospace engineers and aircraft mechanics) for ensuring a robust aviation industry. We found early indications of a pilot shortage emerging, but not a shortage of aviation professionals. Industry and government were taking actions to attract and retain qualified individuals in these occupations. We outlined other market-based options for employers to consider for addressing shortages. ([GAO-14-237](#), [GAO-14-232](#))

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Source: GAO | GAO-15-1SP

Note: 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. 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.



Source: See Image Sources

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. The federal government is also working to balance national security demands overseas and at home with demands related to an evolving national security environment. Given the importance of these efforts, our second strategic goal focuses on helping the Congress and the federal government in their responses to changing security threats and the challenges of global interdependence. Our multiyear (fiscal years 2014-2019) strategic objectives under this goal are to support congressional and agency efforts to

- protect and secure the homeland from threats and disasters;
- ensure military capabilities and readiness; and
- advance and protect U.S. foreign policy and international economic interests.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff in the following teams: Acquisition and Sourcing Management, Defense Capabilities and Management, Homeland Security and Justice, and International Affairs and Trade. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field staff from the Financial Markets and Community Investment, Information Technology, Financial Management and Assurance, and Natural Resources and Environment teams.

### Example of Work under Goal 2

Our November 2013 report identified actions that the Department of Homeland Security's Immigration and Customs Enforcement (ICE) could take to improve its efforts to address allegations of sexual abuse in immigration detention facilities. These actions were to help ensure complete, accurate information for program decision making and planning. ICE agreed with our five recommendations and has already implemented two. Specifically, ICE has distributed guidance to better ensure complete documentation of investigations into abuse allegations, and has completed documentation to identify which sexual abuse and assault provisions apply to each facility. (GAO-14-38)

To accomplish our work in fiscal year 2014 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to international and domestic programs that took us across multiple continents.

As shown in [table 12](#), we exceeded our fiscal year 2014 performance targets for financial and other benefits and testimonies for goal 2.

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

Performance measure	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual <sup>a</sup>	2014 target <sup>b</sup>	2014 actual	Met/ not met	2015 target
Financial benefits (dollars in billions)	\$12.4	\$20.5	\$25.9	\$13.4	\$21.4	\$12.8	\$25.7	Met	\$13
Other benefits	457	444	447	513	488	343	535	Met	340
Testimonies	67	58	48	54	30	38	40	Met	38

Source: GAO | GAO-15-1SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target for 2015 as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agency-wide target, but we cannot always accurately predict under which goals.

<sup>a</sup>In fiscal years 2013, we achieved some unexpectedly large financial benefits, however, we did not expect this level of results in fiscal year 2014.

<sup>b</sup>Our fiscal year 2014 targets for all three performance measures differ from those we reported in our fiscal year 2014 performance plan in December 2013. Specifically, we increased financial benefits from \$12.7 billion to \$12.8 billion, increased other benefits from 338 to 343, and decreased testimonies from 45 to 38 (see [Setting Performance Targets](#)).

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year and are shown below in [table 13](#). This table indicates that over the past 6 years goal 2 average financial benefits increased between fiscal year 2009 through 2011, decreased slightly in fiscal year 2012, and increased again in fiscal years 2013 and 2014. Average other benefits decreased from fiscal year 2009 through 2011, and then increased from fiscal year 2012 through 2014. Testimonies have declined steadily since 2009.

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

Performance measure	2009	2010	2011	2012	2013	2014
Financial benefits (dollars in billions)	\$12.5	\$14.7	\$18.6	\$18.1	\$20.3	\$21.6
Other benefits	461	459	454	465	473	496
Testimonies	75	73	67	57	48	43

Source: GAO | GAO-15-1SP

The following sections describe our performance under goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2015.

## Financial Benefits

The financial benefits reported for this goal in fiscal year 2014 totaled \$25.7 billion, which was more than double our target of \$12.8 billion. This was primarily the result of one large financial benefit of \$11.7 billion—resulting from DOD’s decision to reduce the number of Joint Strike Fighters it will procure in fiscal years 2015 through 2017 to reduce acquisition risks and associated costs. We set our fiscal year 2015 target at \$13 billions because we do not expect the high level of fiscal level 2014 benefits to continue.

## Other Benefits

The other benefits reported for goal 2 in fiscal year 2014 totaled 535 and exceeded our target by 192 benefits, or about 36 percent. The majority of goal 2’s other accomplishments were in the areas of public safety and security for programs including homeland security and justice, international trade, national defense and foreign policy, and in acquisition and contract management, DOD weapon system acquisition, and National Aeronautics and Space Administration. We set our fiscal year 2015 target at 340—slightly below our fiscal year 2014 target of 343—based on our recent experience.

## Testimonies

Our witnesses testified at 40 congressional hearings related to this strategic goal in fiscal year 2014, exceeding our target of 38 hearings by 2 hearings or about 5 percent. Goal 2 testimony topics included disparities in federal excise tax rates for similar tobacco products, opportunities to improve the personnel security clearance process and the use of civilian intelligence contract personnel. (See [fig. 14](#) for selected testimony topics by goal.) We have set our fiscal year 2015 testimony target at 38 based on our recent experience.

[Table 14](#) provides examples of goal 2 accomplishments and contributions.

### Example of Goal 2’s Financial Benefits

GAO analyzes key elements of the President’s Defense budget request annually to assist House and Senate Defense committees in their budget deliberations. In June 2013, GAO analyzed the President’s fiscal year 2014 budget request for Defense civilian personnel, identified over \$1 billion in potential reductions, and briefed the House and Senate Defense committees’ staffs on its findings. GAO updated its analysis in September 2013 and again in November 2013, which confirmed the original finding of over \$1 billion in potential budget reductions. The Congress subsequently reduced DOD’s Fiscal Year 2014 Civilian personnel budget request by over \$1 billion.

### Example of Goal 2’s Other Benefits

Agencies have implemented hundreds of our information security recommendations leading to significant improvements in the protection of federal systems and data. For example, in October 2009, we reported that the National Aeronautic and Space Administration (NASA) had not always included necessary elements, such as malware response and physical environment protection, in its information security policies and procedures. Since that time, NASA has implemented 166 of our 187 recommendations to improve its policies and procedures to include these elements. ([GAO-10-4](#), [GAO-11-20](#))

### Example of Goal 2’s Testimonies

In our March and June 2014 testimonies, we stressed the need for continued oversight of the more than \$100 billion that U.S. agencies have invested in Afghanistan. These funds were intended to disrupt, dismantle, and defeat al Qaeda and its affiliates, and to assist in reconstruction and relief efforts. We had identified corrective actions U.S. agencies could take to, among other things, mitigate the risk of providing direct funding to the Afghan government and improve development project oversight and accountability. Our work helped the Congress and the Administration build an oversight agenda and determine the way forward in Afghanistan. ([GAO-14-448T](#), [GAO-14-680T](#), [GAO-13-218SP](#))

**Table 14: Goal 2 Accomplishments and Contributions**

<b>Protect and Secure the Homeland</b>	
<b>Limiting Future Funding Support for TSA’s Behavior Detection Activities</b>	<p>In our November 2013 report, we found that available evidence does not support whether behavioral indicators used in the Transportation Security Administration’s (TSA) Screening of Passengers by Observation Techniques (SPOT) program can be used to identify persons who may pose a risk to aviation security. The Department of Homeland Security did not concur with our recommendation to limit funding for these activities until TSA provides scientifically validated evidence for using the indicators. As a result of our suggestion to the Congress, a House bill proposed a \$25 million funding restriction pending a TSA report providing such evidence. (<a href="#">GAO-14-159</a>, <a href="#">GAO-14-158T</a>)</p>
<b>Limiting Preparedness Grant Funding</b>	<p>In our 2011 and 2012 work on duplication in the federal government, we reported that the Federal Emergency Management Agency (FEMA) did not compare or coordinate grant applications across its preparedness programs to identify potential duplication. We suggested that the Congress consider limiting preparedness grant funding until FEMA identifies preparedness capability gaps, which would allow it to prioritize its grant funding. The House Appropriations Committee concurred with our suggestion, and the resulting appropriations reduced funding for FEMA preparedness grants from the requested amount. This saved the government about \$1.3 billion, based on present value calculations. (<a href="#">GAO-12-453SP</a>, <a href="#">GAO-12-342SP</a>, <a href="#">GAO-11-318SP</a>)</p>
<b>Military Capabilities and Readiness</b>	
<b>Reducing Procurement Quantities for the Joint Strike Fighter Program</b>	<p>GAO has reported annually since 2005 on the F-35 Joint Strike Fighter Program—DOD’s most expensive aircraft acquisition. A recurring theme in this body of work has been the program’s very aggressive and risky acquisition strategy, particularly the substantial concurrency, or overlap, among development, testing, and production activities. Consistent with our recommendations, DOD has decreased its procurement quantities for fiscal years 2015 through 2017 by 187 aircraft at a budgeted savings of about \$11.7 billion (net present value). This is our second year of related financial benefits for this program. (<a href="#">GAO-09-303</a>, <a href="#">GAO-10-382</a>, <a href="#">GAO-11-325</a>)</p>
<b>Reducing the Department of Defense’s Civilian Personnel Budget</b>	<p>Based on our review of the Department of Defense’s (DOD) Civilian Personnel Operation and Maintenance accounts and its fiscal year 2014 budget request, the Congress reduced DOD’s Civilian Personnel budget request by \$1.3 billion. Through a briefing and multiple issue papers to the House and Senate Appropriations Committees we described potential reductions to the Civilian Personnel budget request. Our work assisted the committees’ deliberations and review of the Departments of the Army, Navy, and Air Force. This reduction would allow funds to be used for other needs within DOD’s budget.</p>
<b>Improving Infrastructure Planning to Account for Potential Climate Change Effects</b>	<p>In a 2014 report, we found that more than 550,000 Department of Defense (DOD) facilities, such as airfields and training ranges, could be vulnerable to the effects of potential climate change. For example, rising temperatures and sea levels could damage these facilities or make them unusable. We recommended that DOD plan to assess the climate change vulnerability of its infrastructure, provide further information to its facilities planners, and clarify the effects of potential climate change in infrastructure planning documents and policies. DOD concurred with our recommendations and identified actions it will take to implement them. (<a href="#">GAO-14-446</a>)</p>

<b>Helping the Department of Defense Right Size its Reserve Component Headquarters</b>	In a November 2013 report, we found that some Department of Defense (DOD) reserve component headquarters, including the National Guard, added personnel between fiscal years 2009-2013. At 68 of the 75 headquarters we reviewed, we found that DOD did not follow its processes to identify the minimum personnel required for mission accomplishment. We concluded that DOD is unable to determine whether these headquarters are efficiently sized. We recommended that DOD externally validate the National Guard Bureau's personnel requirements and reassess requirements at some headquarters. DOD partially concurred, but has not yet taken action. ( <a href="#">GAO-14-71</a> )
<b>Ensuring Meaningful and Accurate Reporting of Savings in DOD Headquarters</b>	In a 2013 streamlining effort, the Department of Defense (DOD) directed management and combatant commands to reduce their headquarters personnel and operations costs. However, in a 2014 report, we found that DOD did not have an accurate baseline for tracking these reductions. We recommended that DOD reevaluate the focus of the reductions to ensure meaningful savings, and clearly define baselines to improve tracking and reporting. DOD partially concurred with the reevaluation recommendation and concurred with the baseline-setting ones, but has not yet taken action. ( <a href="#">GAO-14-439</a> )
<b>Improving Department of Defense's Ability to Respond to Serious Biological Threats</b>	From fiscal years 2001 through 2013, the Department of Defense (DOD) received over \$4.3 billion to make vaccines, drugs, and diagnostics for biological threats available for use. In our 2014 report, we found that DOD does not use its established process for annually updating its list of threat priorities. By not following its process, DOD cannot ensure that its investments go toward responding to the most serious biological threats. We recommended DOD implement a process to update its list of biological threats according to its current policies. DOD concurred and identified steps to address the recommendation. ( <a href="#">GAO-14-442</a> )
<b>Assisting the Congress in Shaping Future Rocket Launch Acquisitions</b>	The Department of Defense (DOD) relies on the Evolved Expendable Launch Vehicle program to launch critical military and intelligence satellites into space. DOD expects to spend \$9.5 billion in the next 5 years acquiring launch services. Though costly, DOD has bought services from one source with little insight into costs. This year, we testified several times on DOD's competition options and efforts to identify costs and introduce competition into the process. This helped the Congress weigh the costs and benefits to government and industry. We also identified key engine development practices for DOD, helping the Congress determine a path forward. ( <a href="#">GAO-14-382T</a> , <a href="#">GAO-14-776T</a> , <a href="#">GAO-14-259T</a> , <a href="#">GAO-14-377R</a> )
<b>U.S. Foreign Policy Interests</b>	
<b>Addressing Gaps in State Department Management of Mandatory Security Training</b>	In a March 2014 report, we made 10 recommendations to the Department of State (State) and 1 to the U.S. Agency for International Development (USAID) to better manage their Foreign Affairs Counter Threat (FACT) training, which prepares U.S. personnel for work in high-threat countries. Our recommendations included updating policy manuals and monitoring and verifying employees' completion of FACT training. State concurred with the recommendations and issued a policy memo to partly address them, and USAID updated its policy manual. Fully implemented, these actions will help the agencies mitigate risks to U.S. personnel in high-threat countries. ( <a href="#">GAO-14-360</a> )

<p><b>Enabling the Congress to Better Monitor Post-Earthquake Reconstruction Efforts in Haiti</b></p>	<p>Our 2013 report and testimony highlighted project delays, reduced outcomes, sustainability risks, and slow funding disbursement in Haiti reconstruction after the earthquake in January 2010. Providing information to the Congress on key U.S. Agency for International Development (USAID) projects—including costly programs to build permanent housing and a new port—has led to increased congressional scrutiny over USAID’s budget for Haiti. To enhance oversight, as our report suggested, the Congress has reinstated a requirement for the Department of State to report regularly to the Congress about reconstruction activities. (<a href="#">GAO-14-47T</a>, <a href="#">GAO-13-558</a>)</p>
<p><b>An Oversight Framework for the President’s Emergency Plan for AIDS Relief (PEPFAR)</b></p>	<p>From 2011 to 2013, we issued a series of reports that made recommendations to the Department of State to improve its management of PEPFAR. In November 2013, the Congress passed the PEPFAR Stewardship and Authorization Act, which established an oversight framework for the program that incorporates several of our recommendations, including recommendations on the collection, analysis, and reporting of cost and performance information. This oversight framework will enable PEPFAR to be more cost effective in helping countries expand HIV treatment while ensuring greater accountability. (<a href="#">GAO-13-688</a>, <a href="#">GAO-13-345</a>, <a href="#">GAO-13-460</a>, <a href="#">GAO-12-673</a>, <a href="#">GAO-11-785</a>)</p>
<p><b>Improving USAID’s Ability to Target Food Aid More Efficiently and Effectively</b></p>	<p>The U.S. Agency for International Development (USAID) targets food aid to vulnerable groups, such as children and pregnant women, in other countries. However, in 2012, we found that USAID did not adequately monitor targeting effectiveness, and recommended that USAID report relevant indicators when providing specialized food aid to targeted vulnerable groups. In response, USAID strengthened requirements to ensure that it reports information about the groups it is targeting, thus improving its ability to determine effectiveness and ensure that targeted assistance reaches intended recipients—maximizing the impact of limited resources. (<a href="#">GAO-12-860</a>)</p>
<p><b>Enhancing Efforts to Ensure the Physical Security of Diplomatic Facilities Overseas</b></p>	<p>In a June 2014 report, we made 13 recommendations to the Department of State (State) to improve the physical security of diplomatic facilities. We made those recommendations to address problems we identified with data reliability, security standards’ effectiveness, mitigation of vulnerabilities, and risk management policy development. State described actions it had already planned to address these problems, and the Congress drafted legislation that would require State to implement our recommendations. Addressing these problems will help ensure that the most effective security measures are in place at U.S. diplomatic facilities overseas. (<a href="#">GAO-14-655</a>)</p>

Source: GAO | GAO-15-1SP

Note: 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. 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.



Source: See Image Sources

Our third strategic goal focuses on the collaborative and integrated elements needed for the federal government to achieve results. The work under this goal highlights the intergovernmental relationships that are necessary to achieve national goals. Our multiyear (fiscal years 2014-2019) strategic objectives under this goal are to

- analyze the government’s fiscal position and opportunities to strengthen approaches to address the current and projected fiscal gap;
- identify fraud, waste, and abuse; and
- support congressional oversight of major management challenges and program risks.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff from the Applied Research and Methods, Financial Management and Assurance, Forensic Audits and Investigative Service, Information Technology, and Strategic Issues teams. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field staff from the Acquisition and Sourcing Management and Natural Resources and Environment teams. This goal also includes our bid protest and appropriations law work, which is performed by staff in the Office of General Counsel.

### Example of Work under Goal 3

The National Aeronautics and Space Administration (NASA) is developing the Space Launch System (SLS), its first launch vehicle for crewed missions in decades. The Congress considers SLS development a priority and has consistently funded the program at higher levels than requested. In May and July 2014, we reported that despite congressional increases, SLS’s funding plan was \$400 million short of what it likely needs to launch as scheduled in 2017, and that current cost estimates were incomplete. NASA concurred with our findings and agreed to balance cost and schedule risks in line with agency policies. ([GAO-14-631](#), [GAO-14-385](#))

To accomplish our work under these objectives, we performed our foresight work, for example, examining the nation’s long-term fiscal and management challenges, and our insight work focusing on federal programs at high risk for fraud, waste, abuse, and mismanagement.

As shown in [table 15](#), we exceeded our fiscal year 2014 performance targets for goal 3’s financial benefits, other benefits, and testimonies.

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

Performance measure	2009 actual	2010 actual	2011 actual	2012 actual <sup>a</sup>	2013 actual <sup>a</sup>	2014 target <sup>b</sup>	2014 actual	Met/ not met	2015 target
Financial benefits (dollars in billions)	\$18.5	\$11.6	\$7.2	\$16.7	8.1	\$5.45	\$13.3	Met	\$8.85
Other benefits	634	684	628	652	555	475	513	Met	425
Testimonies	49	45	39	41	22	22	30	Met	23

Source: GAO | GAO-15-1SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target for 2015 as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agency-wide target, but we cannot always accurately predict under which goals.

<sup>a</sup>In fiscal years 2012 and 2013, we achieved some unexpectedly large financial benefits, however, we did not expect this level of results in fiscal year 2014.

<sup>b</sup>Our fiscal year 2014 targets for all three performance measures differ from those we reported in our fiscal year 2014 performance plan in December 2013. Specifically, we decreased financial benefits from \$5.8 billion to \$5.45 billion, other benefits from 520 to 475, and testimonies from 29 to 22 (see [Setting Performance Targets](#)).

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 16](#)—which minimize the effect of an unusual level of performance in any single year. [Table 16](#) indicates that over the 6-year period from 2009 through 2014, average financial benefits declined steadily from 2009 through 2013 and increased in 2014. Average other benefits increased from 2009 to 2010, and then declined steadily from 2011 through 2014. The trend in the average number of hearings during which our senior executives testified on goal 3 issues decreased from 2009 to 2010, held steady from 2010 to 2011, and then declined from 2012 through 2014.

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

Performance measure	2009	2010	2011	2012	2013	2014
Financial benefits (dollars in billions)	\$20.4	\$19.1	\$15.2	\$13.5	\$10.9	\$11.3
Other benefits	653	668	663	650	630	587
Testimonies	68	52	52	44	37	33

Source: GAO | GAO-15-1SP

The following sections describe our performance under goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2015.

## Financial Benefits

The financial benefits reported for goal 3 in fiscal 2014 totaled \$13.3 billion, exceeding our target of \$5.75 billion by \$7.55 billion. This was due primarily to a large financial benefit resulting from our work on improper payments across the federal government, in particular, financial savings of \$6.5 billion in the Medicaid program. We have set our 2015 target at \$8.85 billion because we do not expect the high level of fiscal year 2014 benefits to continue.

## Other Benefits

Other benefits reported for goal 3 in fiscal year 2014 totaled 513, exceeding our target of 475 benefits, by 38, which is about 8 percent. The majority of goal 3's benefits were in the areas of public safety and security; tax law administration; program efficiency and effectiveness; business process and improvement; including federal agency financial audits; federal information technology; business systems modernization; and human capital. We have set our 2015 target at 425 other benefits.

## Testimonies

Our witnesses testified at 30 congressional hearings related to this strategic goal in fiscal year 2014, exceeding the target of 22 hearings by 8 or about 36 percent. Among the goal 3 testimony topics covered were, fragmentation, overlap, and duplication of federal programs and activities; Department of Defense financial management; optimizing information technology investments; government-wide efficiency and effectiveness challenges; and potential enhancements to the federal rulemaking process. (See [fig. 14](#) for selected testimony topics by goal.) For fiscal year 2015, we have set the testimony target at 23, which is below our actual performance for 2014.

[Table 17](#) provides examples of goal 3 accomplishments and contributions.

### Example of Goal 3's Financial Benefits

Our work between 2006 and 2008 identified information reporting as a powerful tool to reduce the tax gap, discussed its costs and benefits, and recommended action to improve taxpayer compliance. This work contributed to legislation requiring banks and others to report to IRS income that merchants receive through credit and other payment cards or third-party networks such as PayPal. IRS compares the information to what merchants report on their tax returns to help verify compliance with tax laws. This resulted in an estimated revenue gain of \$1.18 billion in 2014, which is the fourth fiscal year after the legislation's effective date of December 31, 2010. ([GAO-08-266](#), [GAO-07-1014](#), [GAO-06-1000T](#), [GAO-07-488T](#), [GAO-06-453T](#))

### Example of Goal 3's Other Benefits

The federal government spends more than \$1 trillion annually on grants and other types of awards. The Office of Management and Budget (OMB) is required to publish agency award data on [USASpending.gov](#). In a 2014 report, we found that approximately \$619 billion in federal grant programs were not properly reported in fiscal year 2012. We also found that only about 2-7 percent of reported awards were fully consistent with agency records. Some agencies provided the missing 2012 information after we spoke with them. We recommended ways for OMB to improve data reliability for [USASpending.gov](#). OMB generally agreed and is considering further steps. ([GAO-14-476](#))

### Example of Goal 3's Testimonies

In April 2014, we reported that paid tax preparers made significant errors during our undercover site visits to 19 randomly-selected preparers. (Our findings cannot be generalized to the entire population of paid tax preparers.) Refund errors we found varied from giving the taxpayer \$52 less to \$3,718 more than the correct refund amount. Only 2 of 19 preparers we reviewed calculated the correct refund amount. Because the returns we had prepared were not real returns and were not filed, penalties would not apply. However, we referred our findings to the Internal Revenue Service for appropriate follow-up. ([GAO-14-467T](#))

**Table 17: Goal 3 Accomplishments and Contributions**

<b>Analyze Government's Fiscal Position</b>	
<b>Restructuring Customs User Fees</b>	In 2007 and 2008, we found that although all arriving international air passengers are subject to customs, immigration, and agriculture inspections, those arriving from certain locations were exempt from the customs fee. Other passengers' fees and direct appropriations subsidized inspections for exempt passengers. We suggested that the Congress align the customs fee exemptions with those of other fees. Our work informed the Congress's decision to lift the customs exemptions in the United States-Colombia Trade Promotion Agreement Implementation Act in October 2011, freeing up an estimated \$337 million during fiscal years 2014 through 2016. ( <a href="#">GAO-07-1131</a> , <a href="#">GAO-08-321</a> )
<b>Improving Capital Gains Tax Compliance in Securities Transactions</b>	In our 2006 report on capital gains tax compliance, we found that many taxpayers misreported their gains or losses from securities sales. This often happened because taxpayers failed to accurately report the cost, or basis, of the securities they sold. We suggested that the Congress require brokers to report to both taxpayers and IRS the adjusted basis of securities that taxpayers sell. The Congress subsequently enacted this requirement, which was expected to raise about \$457 million in revenue in fiscal year 2014. ( <a href="#">GAO-06-603</a> )
<b>Enhancing Understanding and Transparency of Sequestration Implementation</b>	The 2013 sequestration was the first automatic, across-the-board budget cut in more than 20 years. We enhanced transparency and public understanding of sequestration by reporting on its planning, implementation, and effects. Our reports identified how sequestration affected public services, for example, by reducing inspections and benefit payments. In addition, we found that furloughs and other actions taken to absorb cuts disrupted some federal agency operations. Our recommendations resulted in more transparent federal guidance on sequestration's requirements and direction to agencies to document sequestration decisions and principles. ( <a href="#">GAO-14-244</a> , <a href="#">GAO-14-452</a> , <a href="#">GAO-14-529</a> , <a href="#">GAO-14-177R</a> )
<b>Improving Transparency of Federal Spending</b>	Last year, our report on federal spending data indicated a need to improve transparency. In May 2014, the Congress passed the Digital Accountability and Transparency Act, which, consistent with our recommendations, laid out clear responsibilities for implementing government-wide spending transparency initiatives and required agencies to standardize data and obtain stakeholders' views. Agencies have already started making progress on their requirements. Such steps will help increase the chances that spending transparency initiatives will succeed, and ultimately will provide better data for federal oversight and decisions. ( <a href="#">GAO-13-758</a> )
<b>Prevent Fraud, Waste, and Abuse</b>	
<b>Reducing Government-wide Improper Payments</b>	Since fiscal year 2000, we have issued several reports and testimonies to focus attention on government-wide and agency-specific improper payments issues. These reports identified deficiencies in how agencies estimate improper payments, and recommended actions to prevent, detect, and correct improper payments. For fiscal year 2013, 14 programs, including Medicaid, reported reduced improper payment rates. When combined with the programs' fiscal year 2013 outlays, these reduced error rates resulted in a \$7.7 billion reduction in these programs' improper payments that year. ( <a href="#">GAO-14-737T</a> , <a href="#">GAO-13-229</a> , <a href="#">GAO-13-227</a> )

<b>Monitoring Hurricane Sandy Disaster Relief Funds</b>	The Congress appropriated approximately \$50 billion in disaster relief funds for Hurricane Sandy. In November 2013, we found deficiencies in agencies' internal control plans and in the Office of Management and Budget (OMB) guidance for developing these plans. Both of these problems limited the internal control plans' effectiveness as a comprehensive oversight mechanism for the appropriated funds. To provide better oversight for future disaster relief funding, we recommended that OMB develop more robust guidance for designing internal control plans. OMB generally agreed with our recommendation but has not yet completed corrective actions. ( <a href="#">GAO-14-58</a> )
<b>Improving Oversight of the National School Lunch Program</b>	In May 2014, we reported that the U.S. Department of Agriculture (USDA) had taken some steps to identify and prevent potential fraud in the National School Lunch Program, and recommended further actions to improve oversight and help ensure legitimate access. Among other things, we recommended exploring the feasibility of using computer matching to identify households with income that exceeds program eligibility thresholds and of verifying a sample of applications from certain households. USDA generally agreed with the recommendations, but has not yet implemented them. ( <a href="#">GAO-14-262</a> )
<b>Reviewing Cases of Potentially Fraudulent and High-Risk Passport Issuances</b>	In May 2014, we reported that the Department of State (State) issued U.S. passports to applicants who used the identifying information of deceased or incarcerated individuals or an incorrect Social Security number (SSN) as part of their passport applications. We did not find pervasive fraud in these populations; however, we referred to State certain potentially fraudulent or high-risk cases from our analysis. State is reviewing these cases, which we believe will help to preserve the integrity of the U.S. passport program. ( <a href="#">GAO-14-222</a> )
<b>Identifying Questionable Business Practices in Pension Advance Transactions</b>	In a June 2014 report, we identified 38 companies that offered individuals lump-sum payments or "advances" in exchange for part or all of their pension payment streams. Our undercover calls to some companies identified questionable practices related to rate or fee disclosure, and certain unfavorable terms of agreements. We recommended that the Bureau of Consumer Financial Protection (CFPB) and the Federal Trade Commission (FTC) review the pension advance practices identified in our report and exercise oversight or enforcement as appropriate. CFPB and FTC agreed with our recommendation and stated that they plan to review the issues that we identified. ( <a href="#">GAO-14-420</a> )
<b>Identifying Individuals with Security Clearances who Owe Delinquent Federal Taxes</b>	In 2013 and 2014, we reported that more than 80,000 individuals with national security clearances owed more than \$700 million in delinquent federal taxes. Individuals with tax debt are not prohibited from holding security clearances, but pose a potential vulnerability. However, federal law limits access to individual taxpayer information, even for officials who decide whether to grant or renew security clearances. In response to our work, the Office of the Director of National Intelligence began working with the Internal Revenue Service and other federal agencies to explore legal methods of sharing information on individuals' tax debts. ( <a href="#">GAO-14-686R</a> , <a href="#">GAO-13-733</a> )
<b>Coordinating a Conference on Key Data Analytics Issues for Law Enforcement</b>	In April 2014, we coordinated a conference as part of our Data Sharing Community of Practice in which officials from federal agencies, offices of inspectors general, and a nonprofit organization discussed the use of data analytics for program oversight. It included presentations on challenges to audit independence, approaches for leveraging data resources and measuring effectiveness, data analytic techniques, and executive perspectives on data sharing. The conference afforded an opportunity to share approaches for addressing challenges and to foster awareness of data resources and analytics techniques available to the oversight community.

## Major Management Challenges and Program Risks

<b>Improving Financial Management at the Department of Defense</b>	In 2014, we issued two reports identifying deficiencies in the Department of Defense's (DOD) implementation of its Financial Improvement and Audit Readiness (FIAR) guidance. We found that DOD did not fully implement FIAR guidance in the areas of planning, testing, and corrective actions for contract pay. We also found that the Army did not complete FIAR guidance tasks to ensure that it adequately considered all significant budgetary processes, systems, and risks, and resolved identified deficiencies. We recommended actions to help DOD and the Army achieve financial audit readiness. They concurred with our recommendations but have not yet taken action. ( <a href="#">GAO-14-10</a> , <a href="#">GAO-14-60</a> )
<b>Revising Standards for Internal Control in the Federal Government</b>	In September 2014, we issued a revision to <i>Standards for Internal Control in the Federal Government</i> , commonly known as the "Green Book." These standards provide management criteria for designing, implementing, and operating an effective internal control system. The revision is the third since GAO first issued the standards in 1983. The revision reflects major developments in accountability and financial management and emphasizes specific considerations applicable to the government environment. An effective internal control system increases the likelihood that an entity will achieve its objectives. ( <a href="#">GAO-14-704G</a> )
<b>Improving Interagency Collaboration and Strengthening Accountability for Results</b>	Our work examining implementation of the Government Performance and Results Modernization Act of 2010 led to improved guidance on interagency collaboration and accountability. We found that agencies were not identifying all programs and activities that contributed to their goals; many priority goals lacked required quarterly performance targets or completion dates; and the purpose of and process for cross-agency goal reviews was unclear. The Office of Management and Budget strengthened its guidance to address these issues. Effective implementation of this guidance is critical to strengthening federal performance and accountability and addressing management weaknesses. ( <a href="#">GAO-14-526</a> , <a href="#">GAO-13-518</a> , <a href="#">GAO-13-174</a> )
<b>Improving the Management of the 2020 Census Through Adoption of Leading Practices</b>	In a series of reports since the 2010 Census and in preparation for the 2020 Census, we made recommendations to help the U.S. Census Bureau reexamine its management and culture as well as the fundamental design of the enumeration. We also identified opportunities for the Bureau to use a variety of leading practices to address its management challenges. Actions in response to our work have helped the Bureau undertake an organizational transformation, better manage its master activity schedule, and improve the management and design of its field tests. These efforts should help the Bureau meet its goal of a more cost-effective 2020 Census. ( <a href="#">GAO-14-26</a> , <a href="#">GAO-12-626</a> , <a href="#">GAO-11-193</a> , <a href="#">GAO-10-59</a> , <a href="#">GAO-10-324</a> )
<b>Reducing Funding to Reflect Program Decisions for Electronic Health Record Systems</b>	In 2011, the Departments of Defense (DOD) and Veterans Affairs committed to developing a joint electronic health record system that would allow them to share information. In February 2013, they announced that they would modernize their separate systems instead. Our 2014 review found that DOD based its fiscal year 2013 and 2014 budget requests on the joint system. Thus, we suggested that the Congress consider restricting DOD's fiscal year 2014 appropriation. Subsequently, the Congress did not appropriate fiscal year 2014 procurement funds and rescinded fiscal year 2013 procurement funds for a total reduction of about \$300 million. ( <a href="#">GAO-13-413T</a> , <a href="#">GAO-14-609</a> )

<b>Improving Agencies' Suspension and Debarment Programs</b>	In reports and at congressional hearings starting in 2011, we reported on the six agencies that did not have active suspension and debarment programs. This type of program protects the government's interests by excluding individuals, contractors, and grantees who have committed misconduct from receiving federal contracts, grants, and other forms of financial assistance. In 2014, we reported that as a result of our 2011 recommendations, all six agencies took action to strengthen their respective suspension and debarment programs, including addressing staffing issues, promulgating detailed guidance, and encouraging an active referral process. ( <a href="#">GAO-14-513</a> , <a href="#">GAO-13-707T</a> , <a href="#">GAO-12-245T</a> , <a href="#">GAO-12-127T</a> , <a href="#">GAO-11-739</a> )
<b>Identifying Issues in Governing Intelligence Community Contractors</b>	The civilian intelligence community—which includes the Office of the Director of National Intelligence, the Central Intelligence Agency, and components within five other civilian agencies—has long relied on contractors to support their missions. In 2014, we reported that a key tool to identify the number of contractors and the functions they perform had significant limitations, and that the agencies had not fully implemented federal procurement policies to reduce risks. Our report and subsequent testimony resulted in an intelligence community commitment to address these shortcomings. ( <a href="#">GAO-14-204</a> , <a href="#">GAO-14-692T</a> )
<b>Improving DOD's Use of Competition in Contracting</b>	Competition helps achieve the best return on taxpayer investment in federal contracting. In 2013 and 2014 reports, we determined why the Department of Defense (DOD) only received one offer on many competitive contracts. We also identified ways to apply lessons learned to enhance future competition. As a result, in August 2014, DOD directed its contracting officers to seek feedback from companies that expressed interest in competitive awards but did not submit offers. DOD also changed the procedure for approving follow-on noncompetitive contracts. These actions will help DOD overcome barriers to competition in the future. ( <a href="#">GAO-14-395</a> , <a href="#">GAO-13-325</a> )
<b>Informing Discussions of U.S. Nanomanufacturing</b>	We convened a forum with participants from industry, government, and academia to discuss the future of nanomanufacturing; research and development investments; U.S. competitiveness; and environmental, health, and safety concerns. The findings, which we reported and testified on in 2014, have helped inform the discussions that have been going on among policymakers and interested sectors of the general public. In addition, we have been invited to write on nanomanufacturing issues for professional journals, and articles and blogs have described the Forum results. We believe that an informed discussion can result in better decision making. ( <a href="#">GAO-14-181SP</a> , <a href="#">GAO-14-618T</a> )
<b>Government Auditing Standards and Standards for Internal Control</b>	
<b>Advancing the Auditing Profession Internationally</b>	We significantly influenced the development and quality of new standards from the International Organization of Supreme Audit Institutions (INTOSAI). National audit offices in more than 190 countries use these standards to improve audit quality, increase professionalism, and raise the credibility of their audit institutions. We also made notable contributions to the standard-setting process—identifying key elements that would benefit development of a viable standard-setting model. We continue to collaborate with our INTOSAI colleagues to evaluate and improve standard-setting processes and to help ensure high-quality standards in the future.

Source: GAO | GAO-15-1SP

Note: 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. 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.



Source: GAO | GAO-15-1SP

Our fourth strategic goal embraces the spirit of continuous and focused improvement in order to sustain high-quality, timely service to the Congress, while also implementing leading practices in our internal operations. Activities carried out under this goal also address our two internal management challenges—human capital and engagement efficiency. The multiyear (fiscal years 2010-2015) strategic objectives under this goal are to

- improve efficiency and effectiveness in performing our mission and delivering quality products and services to the Congress and the American people;
- maintain and enhance a diverse workforce and inclusive work environment through strengthened recruiting, retention, development, and reward programs;
- expand networks, collaborations, and partnerships that promote professional standards and enhance our knowledge, agility, and response time; and
- be a responsible steward of our human, information, fiscal, technological, and physical resources.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed under the direction of the Chief Administrative Officer through the following offices: the Controller and Financial Management and Business Operations, Human Capital, Information Systems and Technology Services, Infrastructure Operations, the Professional Development Program, and Field Operations. Assistance on specific key efforts is provided by the Applied Research and Methods team, and other offices, including Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, Public Affairs, and General Counsel. To accomplish our work under these four objectives, we performed internal studies and completed projects that further the strategic goal. As shown in [table 6 on page 37](#), our internal operations for services and functions that help employees get their jobs done and improve the quality of their work life were rated by our

### Examples of Work under Goal 4

**Social media.** To increasingly provide our work to audiences where they are, we launched the GAO WatchBlog to connect our work to current events and the news; significantly increased our viewership on LinkedIn, YouTube, and Flickr; and improved features of our Highlights page.

**Physical security.** To enhance physical safety agency-wide, we began work to design and install automatic lockdown capability to replace the manual lockdown process for the main entrances of our headquarters building. In our field offices, we replaced all locations' stand-alone security systems with our Integrated Electronic Security System, standardizing our security footprint and consolidating our security maintenance contracts.

**Telework.** In fiscal year 2014, we continued to focus on telework as an agency-wide priority. We completed the roll-out of our enhanced telework pilot in all 11 field offices and expect to achieve \$2.2 million in lease and security savings in fiscal year 2015 versus baseline fiscal year 2012. We established a memorandum of agreement with our union to more consistently administer this pilot across all field offices.

staff with scores of 82 percent and 77.9 percent respectively. In 2013, we created a new IT Tools performance measure that was rated by our staff with a score of 67.6 percent. In prior year surveys, IT Tools was covered under one of the other performance measures. [Table 18](#) provides examples of goal 4 accomplishments and contributions.

**Table 18: Goal 4 Accomplishments and Contributions**

Improve Efficiency and Effectiveness	
<b>Enhancing Support for Conducting, Managing, and Reporting on Our Work</b>	<p><b>Facilitating access to our work.</b> As GAO’s audiences—the Congress, congressional staff, and the American people—become increasingly active on social and digital media platforms, we are looking to these platforms to help us provide our work to audiences where they are, on the platforms they regularly use. To this end, we launched the GAO WatchBlog, a blog format that allows GAO to connect its work to current events and the news; show how GAO’s work is affecting agencies or legislation; and highlight reports, testimonies, and issue areas where GAO does work. To date, the WatchBlog has more than 100 blog posts on a wide range of topics, and has been viewed more than 34,000 times. In other social media venues, we reached 6,200 Facebook “page likes,” an increase of more than 135 percent over fiscal year 2013; 30,000 Twitter and 36,000 LinkedIn followers; 130,000 YouTube video views; and 1 million lifetime views of our Flickr images, including doubling our average weekly Flickr views from 5,000 in fiscal year 2013 to 10,000 in fiscal year 2014. We produced five streaming video webchats with the public, 12 report-related videos and animations, and 33 podcasts; improved features of our Highlights page, such as making our recommendations more prominent; released our first two infographics and nearly 40 web-based interactive graphics; improved the quality of the online resources that GAO.gov offers to the Congress, journalists, auditors, and federal managers; and launched a Writing for Social Media course to help our staff generate timely, relevant content—all efforts to facilitate access to our work and promote understanding of the issues facing the Congress.</p> <p><b>Strengthening our relationship with the Congress.</b> Building on our efforts in fiscal year 2013 to improve the GAO Watchdog website, available exclusively for Members and their staff, in fiscal year 2014 we added drop-down menus, videos, and other features to enhance the user-friendliness of the site; improved functionality by allowing users to more easily find information on completed and ongoing GAO engagements; and feature new content such as descriptions of the full range of products and services GAO provides, including briefings by subject matter experts, comments on legislation, and assistance in drafting requests for work. Continuing our commitment to supporting the Congress, the training course we developed in fiscal year 2013 to educate Hill staff about GAO’s mission and services was incorporated into the Senate Office of Education curriculum and continues to be offered through the House of Representatives Learning Center curriculum; the training was provided on 21 occasions in fiscal year 2014.</p> <p>We issued GAO’s new strategic plan (<a href="#">GAO-14-1SP</a>) for serving the Congress and the nation for fiscal years 2014 through 2019. The plan is built around a set of trends that provide context for our goals and objectives and help GAO plan for future work, and provides detailed information about specific areas of work we anticipate—including a description of our goals and objectives, related performance goals, and key efforts. This planning effort helps ensure GAO is in tune with the Congress’s priorities and is able to respond effectively, efficiently, and promptly.</p>

**Managing our work.** To maximize our agility in responding to the needs of the Congress, GAO continues its effort to identify for repeal or modification statutory mandates that are recurring, outdated, or low priority for the Congress. On May 22, 2014, the House passed H.R. 4435, the National Defense Authorization Act for fiscal year 2015, which contained provisions to modify or repeal four mandates for GAO work. On June 2, 2014, the Senate Armed Services Committee reported S. 2410, its NDAA legislation, which also contained provisions to modify or repeal two mandates for GAO work; S. 2410 is awaiting Senate consideration. On April 28, 2014, the House of Representatives passed H.R. 4194, the Government Reports Elimination Act of 2014 which, when enacted, would modify or repeal 11 mandates for GAO work. On September 16, 2014, the Senate passed H.R. 4194. Since the Senate amended the House bill, the House will now need to take up H.R. 4194 as amended.

**Improving our engagement-related processes.** We continued to make strides in fiscal year 2014 in identifying new systems, processes, and tools to better manage the way we do our work, and improving elements of methods already in place to introduce efficiencies. We successfully piloted the new Engagement Management System (EMS), which provides us the opportunity to retire three legacy systems with one cohesive system that integrates disparate software applications, enabling more readily accessible and timely information on engagements, and trained approximately 190 employees in the new system. We also began a pilot of our updated engagement process to better utilize our resources and manage work flow; we expect to begin rolling out this new process to all engagements in 2015. To help teams better estimate likely staff days and duration on engagements, we created a Tools to Improve Managing Engagements (TIME) toolset—a collection of job aids that helps teams estimate likely staff days and duration on engagements, auto-generates a project plan with key milestones, and guides important conversations needed between teams and stakeholders. To fully leverage our human capital, we implemented a standard procedure for multi-staffing—assigning staff to more than one engagement—that introduces opportunities for staff to work on a variety of agencies and issues and maximizes staff availability to support engagements at various phases in their development. Finally, to further streamline two key engagement areas—the report review process and the final publishing process—we clarified the roles and responsibilities of various parties involved in these engagement processes and reinforced compliance with established time frames and deadlines, resulting in greater stability and predictability for all.

## Enhance Recruitment, Development, Retention, and Rewards

**Strengthening strategies for hiring and retention, developing the workforce, managing and monitoring performance, and promoting an unbiased workplace**

**Hiring and retention.** We hired more than 300 new employees in fiscal year 2014, many of whom joined GAO as entry-level analysts in our 2-year professional development program. To support and guide these new colleagues, we increased, from 4 to 10, the number of advisors dedicated to coaching new analysts, with the intended long-term benefits of greater employee performance, satisfaction, and retention. We developed standard operating procedures to implement the use of Direct Hire Authority, which facilitates our ability to more efficiently fill critical positions at all levels. To further ensure that our new hires meet GAO's high standards, we implemented a pre-employment background review process to help assess the extent to which potential new hires meet GAO's suitability requirements for appointment and retention. We benefited this year by retaining employees through strengthened and improved oversight of our internal controls for requesting, approving, and processing recruitment, relocation, and retention incentives. To capture employees' and interns' views when they leave GAO, we improved our exit survey with additional questions on perceptions of telework to further our data gathering on this topic.

**Staff development.** To facilitate employees' access to and participation in mandatory training, we developed bundled training that streamlined the learning process and improved our ability to track training completion. Our Boston Field

Office continued to enhance its BFO Connects initiative to strengthen existing relationships with local organizations and develop new ones with organizations working on issues of interest to GAO through four speaker events on cross-cutting topics such as women in science, technology, engineering, and mathematics (STEM) and public policy information in journalism. A similar program was initiated in our San Francisco Field Office. In its third year, our Financial Literacy Initiative remained strong. We administered an agency-wide survey to identify what topics would most empower employees to make informed financial decisions. Based on the survey results, we offered a variety of seminars on topics such financial planning for new employees, retirement for employees within 5 years of retirement, and health insurance in retirement.

**Performance management.** GAO's approach to performance management heavily emphasizes coaching and feedback to support staff at all levels achieve their career goals. This year, we developed and administered required training for managers, and developed tools and resources for all staff to support open, constructive communication on these topics. We conducted more than 20 workshops with managers to obtain input on improvements to the performance management system and are currently developing a comprehensive performance management curriculum for this audience. Finally, we conducted the second pulse survey to all staff to assess how the new performance management system is being perceived, to allow us to identify what is working well and what needs improvement.

**Inclusive workplace.** In addition to establishing a Diversity and Inclusion Community of Practice, as discussed under our internal management challenges, we provided a Diversity Facilitator Certification Program and certified 51 staff facilitators to further expand the reach of our diversity communications and initiatives. We featured a number of speaker events on topics such as age discrimination, transgender employees in the workforce, civility in the workplace, and supporting institutional change. The Counseling Services made great strides this year in expanding its reach to employees in all locations. For the first time, Counseling Services made available to field-based and teleworking employees a number of virtual seminars, and completed the first phase of a 2-year plan to visit all 11 field offices to brief staff on all the services currently available to them and to gain a better understanding of how Counseling Services can more fully support the needs of employees who work much of their time from home. For all managers, a new course was delivered on effective strategies and appropriate boundaries in working effectively with employees with mental health conditions. To support employees requiring reasonable accommodations, we fulfilled 183 requests for accommodation in fiscal year 2014, and brought on board an IT expert to train employees in using assistive technology.

## Expand Networks, Collaborations, and Partnerships

### Enhancing Professional Accounting and Auditing Standards

We served as chair of the INTOSAI Working Group on Financial Modernization and Regulatory Reform which developed a survey of the group's members to determine their financial market audit authority. Results of this survey will help inform recommendations to SAIs on developing tools for evaluating national reforms, establishing mechanisms for information sharing, and systematically tracking information on national and international reforms.

**Enhancing Information Sharing and Collaboration with Others to Expand Audit Knowledge**

We worked actively with INTOSAI-Donor Cooperation, which established another funding modality to support the program’s objectives and increase its capacity-building potential. As chair of the INTOSAI Strategic Planning Task Force, we led the effort to develop and deploy a multilingual internal scan survey for INTOSAI’s strategic plan update to obtain input on its future goals and activities. The new multilingual survey tool, developed in-house, is an innovative asset that can be deployed in future international survey efforts, not only for INTOSAI-related work, but also for GAO’s core audit mission work where appropriate.

In support of the intergovernmental audit forums, we launched a redesigned website in March built in a new platform that enables timely updating and communicating of information to the domestic audit community by GAO staff. The number of views to the site jumped from 739 in February to 2,309 in March, and has remained above 2,300 since then. We also supported updates to and adoption of the 2014-2020 Strategic Plan, which describes National Intergovernmental Audit Forum’s (NIAF) goals and objectives and what the forum hopes to accomplish to fulfill its mission to improve government performance and accountability.

**Human, Information, Fiscal, Technological, and Physical Resources**

**Proactively Protecting Physical and Information Security**

We continued to enhance our communications on protecting privacy through targeted briefings to all business administrative units and engagement teams, and addressed staff questions on records management policies and guidance through 9 podcasts created in-house. We have begun the procurement of Sectera vIPer secure phones to replace legacy secure phones at headquarters and our field offices. These phones provide the latest technology for classified voice communication, will require less administrative support hours to use and manage, and will provide a future secure conferencing capability that will enable teams in multiple locations to engage in classified discussions, eliminating the need for staff to travel to an alternate secure location. To consistently document and grant security clearances to our employees, we created a form to tie the level of security clearance required for a job with its responsibilities, and to capture a written justification for each clearance request. In our efforts to maintain a knowledgeable and well-trained staff and ensure the protection of classified and sensitive information, we created a new section on the GAO Intranet that highlights the individual roles and tasks associated with the issuance of classified and sensitive GAO products. This effort included the creation of a comprehensive guide and checklist for marking classified products. To further enhance knowledge of GAO information security policies and best practices for working with classified and sensitive information, we led efforts to develop comprehensive guidance for engagement teams working on a classified or sensitive subject matter during the course of an audit or review, and for determining the appropriate handling and transmission procedures for GAO products prior to classification or sensitivity reviews. We deployed an enhanced web application security tool to determine if the code that supports an application poses a risk to GAO, and established policy metrics and an automated procedure for administering the tool; this tool is one of the components in our FISMA process to manage enterprise risk. We relocated about 100 live web surveys to new hardware to improve our data security, backup capabilities, and website responsiveness and reliability.

<b>Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains</b>	<p><b>Optimizing physical footprint.</b> To monitor space utilization in our field offices and affirm that we have appropriate space in each office, we developed quarterly reports using our hoteling reservation system to track workspace and conference room usage, and developed “field office of the future” projections to allow us to assess workspace needs based on alternative hiring and growth scenarios.</p> <p><b>Automating key business tools.</b> We automated several financial management processes in fiscal year 2014 to introduce greater efficiency, consistency, and reliability, including processes for calculating quarterly upward and downward obligation adjustments, quarterly accounts payable accruals, and monthly payroll accruals. Utilizing our business intelligence (BI) tool, we launched the Travel Dashboard, a platform that allows managers to access, monitor, and report team-specific employee travel data, and administrators to view and analyze agency-wide data, replacing a labor-intensive manual process. We deployed enhancements to our online time and attendance application to allow for job code sorting in various outputs, reducing the amount of time employees must spend updating their information every 2 weeks.</p> <p><b>Improving communications.</b> To better leverage innovative employee ideas and respond to employee feedback on all topics in a more efficient and timely manner, we launched the GAO Innovation Program. This program uses existing technology to capture, in real-time, all electronic employee submissions and facilitates information sharing across the units responsible for responding to employee feedback.</p>
<b>Improving Management of Key Administrative Processes</b>	<p><b>Managing physical infrastructure.</b> We achieved lease and security savings of \$1.8 million versus baseline year of fiscal year 2012 spending as a result of our field office footprint reduction and enhanced telework pilot. These savings are projected to exceed \$2.2 million in fiscal year 2015 versus baseline fiscal year 2012. To effect workspace optimization in our headquarters building, we awarded a contract to study space utilization to provide recommendations for more efficient use of our footprint. In awarding a new Commercial Facilities Management contract for our headquarters building, we will realize a cost savings of approximately \$500,000 per year over the cost of the former contract, and anticipate long-term savings by extending the life of our machinery through the new contract’s approach to reliability-centered maintenance. Also in headquarters, we completed our air handler replacement project, improving building performance, occupant comfort, and operational efficiencies.</p> <p><b>Managing business processes.</b> We established a memorandum of understanding (MOU) with the Department of Labor for use of eCOMP, an electronic system that will enable GAO to enhance its management of employees covered by the Federal Employees’ Compensation Act (FECA) through direct claims oversight, email reminders of specified cases, and more robust reporting capabilities. We implemented updates to our financial management system, Oracle Federal Financials, and leveraged additional services provided by its host, the Enterprise Services Center (ESC), to move some processing functions to ESC, enabling GAO staff to focus on other process improvement areas. To track our performance and identify areas for improvement, we completed implementation of performance measures for two key business process activities—external training processing and travel voucher approvals, and are currently establishing baselines for metrics for online time and attendance and leave audit processing.</p>

**Enhancing  
Information  
Sharing and  
Collaboration  
with Internal  
Employee  
Organizations**

In fiscal year 2014, we worked with the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE) Local 1921, to establish a memorandum of agreement to achieve as much consistency as possible across field offices in the enhanced telework pilot's administration. Together we reached agreement on renovation and consolidation of work space in the Chicago, Norfolk, Dayton, and Huntsville Field Offices; the criteria to be considered in the solicitation for a new contract for dining services at GAO headquarters; revised inclement weather policies; and a new business travel tool. We also began negotiations on several critical initiatives, including the virtual desktop initiative, standard operating procedures for GAO's Forensic Audits and Investigative Service team, and additional field office renovations. We began discussions and held listening sessions with GAO's Employee Advisory Committee and the union on a comprehensive review of GAO's compensation system. Further, we revised the GAO Employee Handbook, including a description of the GAO's Employees Organization and the Personnel Appeals Board.

Source: GAO | GAO-15-1SP

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GAO



# Part III

## Financial Information

SERVING CONGRESS AND THE NATION



Source: GAO | GAO-15-1SP

November 17, 2014

The Performance and Accountability Report (PAR) is the primary mechanism for us to report on our financial operations and provide transparency and accountability to the American people. The financial statements included in the PAR demonstrate our sound stewardship for the taxpayers' dollars entrusted to us.

I am pleased to report that we received an unmodified "clean" opinion on our fiscal year 2014 financial statements for the 28th consecutive year. Our independent auditors found that GAO maintained, in all material aspects, effective internal control over financial reporting, and our financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996. The financial statements that follow were prepared, audited, and made publicly available as an integral part of this PAR 45 days after the end of the fiscal year. Our fiscal year 2013 PAR received a certificate of excellence in accountability reporting from the Association of Government Accountants, an honor we have received each year since we first applied in fiscal year 2001.

Through increased funding in fiscal year 2014, GAO was able to begin rebuilding staff capacity by hiring entry-level staff, student interns, and experienced hires to help address critical skills gaps and fill critical vacancies. This increased staffing level will reverse the downward trajectory experienced in recent years and help ensure GAO has the depth and broad-based skills required to contribute to the vast array of topics on which the Congress seeks analysis and advice. We had an aggressive hiring plan enabling us to bring in necessary staff in fiscal year 2014 which we project will allow us to achieve our FTE goal in 2015.

This year's accomplishments also included, but were not limited to, expanding the mobile workforce initiative by enhancing the telework/workspace sharing pilot, exploring options to streamline space utilization in the headquarters building, and improving the efficiency of the engagement management process. The telework/workspace sharing pilot has been implemented in all 11 field offices and has resulted in a 10 percent reduction in rent expense in fiscal year 2014 alone and an overall 21 percent reduction in rent expense since its inception. Finally, we have implemented a new Engagement Management System to reduce the administrative burden of and improve access to management information. We expect all of these initiatives to generate long-term financial and efficiency benefits for us.

Our financial management system continues to be centered on Oracle Federal Financials, hosted, operated and supported by the Enterprise Services Center (ESC) at the Department of Transportation. ESC maintains the accounting system and performs our daily transaction

processing. Our Financial Management Office worked with ESC during the testing and implementation of Oracle Federal Financials version Release 12 (R12). Oracle R12 was implemented and became operational in May 2014. ESC is currently in the operational refinement stage and continues to work on the enhanced features that this latest upgrade provides. In 2014, we succeeded in leveraging some additional services provided by the ESC, such as moving the Centrally Billed Travel Account processing to the ESC enabling GAO staff to focus on other process improvement areas. We will continue to look at other processes to transition to ESC in support of GAO financial and travel operations in an effort to continue to reduce overhead costs and allow staff to shift their focus to analytics.

Additionally, in collaboration with ESC, GAO continues to plan the implementation of the latest eGov Travel System. The task order for the next generation travel services system (e2Travel Solutions) was awarded in September 2014 by the DOT/ESC and is expected to provide agencies with improved travel regulation compliance and operational capabilities. The implementation of e2Travel Solutions is scheduled for the first quarter of 2015. To further enhance travel related reporting, we launched our Business Intelligence (BI) Travel Tool, in September 2014, which provides comprehensive and timely information, and analytics on travel undertaken by GAO travelers. The tool is also positioned as a key instrument to provide managerial and metrics related information on travel for all GAO organizations, including Field Offices.

In the area of internal control, we continued performing testing that is consistent with the Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, for key business cycles such as financial reporting and payroll. To ensure the integrity of financial data and the appropriate levels of authorization, we continued using a transactional testing approach to validate compliance, effectiveness and efficiency, and proper financial reporting. We also reviewed the independent auditors' reports of our service providers to ensure that we are able to proactively address any issues with appropriate compensating controls. In fiscal year 2015, we will be working to review and implement enhancements to our internal control processes to ensure we are in compliance by 2016, the effective date of the new *Standards for Internal Control for the Federal Government* (the "Green Book").

All of these efforts contributed to our independent auditors providing a favorable opinion on the effectiveness of our internal control again this year. Going forward, we will continue to implement important initiatives throughout the agency to improve the performance of our operations and the accountability of our employees. By focusing on measurable results we can further our ability to meet the highest priority needs of the Congress and maintain the quality, timeliness and usefulness of our reports, testimonies, briefings and other products and services.



Karl J. Maschino  
Chief Administrative Officer/  
Chief Financial Officer

# 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, its Inspector General, and its external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal control 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 Inspector General and external auditors, and GAO's responses to those findings, to assure itself 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 have primary responsibility for the Performance and Accountability Report. The Committee met three times with respect to its responsibilities as described above. During these sessions, the Committee met with the Inspector General 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, the Committee recommends that GAO's audited statements and footnotes be included in the 2014 Performance and Accountability Report.



Michael A. Nemeroff

Chair

Audit Advisory Committee

# Independent Auditor's Report



CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## INDEPENDENT AUDITORS' REPORT

Comptroller General of the United States

In our audits of the fiscal years (FY) 2014 and 2013 financial statements of the United States Government Accountability Office (GAO), we found:

- The financial statements as of and for the fiscal years ended September 30, 2014 and 2013 are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.);
- GAO maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014;
- GAO's financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act (FFMIA) as of September 30, 2014; and
- No reportable noncompliance for fiscal year 2014 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on systems' compliance with FFMIA; and (3) our report on compliance with laws, regulations, contracts and grant agreements.

### **Report on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying financial statements of GAO, which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements (financial statements). We have also audited GAO's internal control over financial reporting as of September 30, 2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Management's Responsibility***

GAO management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S., including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due

**INDEPENDENT AUDITORS' REPORT (Continued)**

to fraud or error. GAO management is also responsible for evaluating the effectiveness of its internal control over financial reporting based on criteria established under 31 U.S.C. §3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, as amended (OMB Circular A-123), and for its assertion about the effectiveness of internal control over financial reporting, based on its evaluation as of September 30, 2014. Management's Statement of Assurance is included in the Introduction section of the Performance and Accountability Report (PAR).

***Auditors' Responsibilities***

Our responsibility is to express an opinion on these financial statements and an opinion on GAO's internal control over financial reporting based on our audits. We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the U.S.; and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of internal control over financial reporting was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the attestation standards contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures with respect to the RSI and all other information included with the financial statements. We also conducted our audits in accordance with OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02).

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material

**INDEPENDENT AUDITORS' REPORT (Continued)**

respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness<sup>1</sup>.

***Definitions and Inherent Limitations of Internal Control over Financial Reporting***

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the U.S., (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (3) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GAO as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S. In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on criteria established under FMFIA and OMB Circular A-123.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that GAO's Management Discussion and Analysis (MD&A), also regarded as RSI, included as Part I of the PAR, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

**INDEPENDENT AUDITORS' REPORT (Continued)****Other Information**

Other information included in the PAR, other than the basic financial statements, RSI, and the auditors' report, contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements or RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on GAO's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

**Report on Systems' Compliance with FFMIA Requirements**

We have audited GAO's financial management systems' compliance with certain requirements as prescribed in the FFMIA as of September 30, 2014. The objective of our audit was to express an opinion on whether GAO's financial management systems substantially complied with the requirements in section 803a of FFMIA as outlined in the following areas: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the United States Government Standard General Ledger (USSGL) at the transaction level.

***Management's Responsibility***

Management is responsible for implementing and maintaining financial management systems that comply with FFMIA requirements.

***Auditors' Responsibility***

Our responsibility is to express an opinion on GAO's financial management systems' compliance with the three FFMIA requirements based on our audit. We conducted our audit of GAO's compliance with FFMIA requirements in accordance with attestation standards established by the AICPA and the attestation standards contained in *Government Auditing Standards*. Under those standards, we planned and performed the audit to obtain reasonable assurance about whether the financial management systems substantially complied with the three requirements of FFMIA. A compliance audit includes examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as we consider necessary in the circumstance. Our audit does not provide a legal determination of GAO's compliance.

We believe that our audit provides a reasonable basis for our opinion.

***Opinion on Systems' Compliance with FFMIA***

In our opinion, GAO's financial management systems substantially complied with the applicable requirements of FFMIA as of September 30, 2014. Our opinion is based on criteria established under FFMIA for federal financial management systems.

**Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

In connection with our audit of GAO's financial statements, we tested GAO's compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibility discussed below. We caution that noncompliance with laws,

**INDEPENDENT AUDITORS' REPORT (Continued)**

regulations, contracts and grant agreements may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

***Management's Responsibility for Compliance***

Management is responsible for complying with applicable laws, regulations, contracts, and grant agreements.

***Auditors' Responsibility***

We are responsible for testing compliance with selected provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to GAO.

***Results of Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements***

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for the year ended September 30, 2014, that are required to be reported in accordance with *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to GAO, and accordingly, we do not express such an opinion.

***Purpose of the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements***

The purpose of the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts and grant agreements and the results of that testing, and not to provide an opinion on GAO's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GAO's compliance. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**



Calverton, Maryland  
November 14, 2014

## Purpose of Each Financial Statement

The financial statements on the next four 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 and other costs in support of the Congress.
- 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.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Balance Sheets**  
**As of September 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Intragovernmental</b>		
Funds with the U.S. Treasury (Note 3)	\$72,311	\$67,267
Accounts receivable, net	1,772	285
<b>Total Intragovernmental</b>	<u>74,083</u>	<u>67,552</u>
Property and equipment, net (Note 4)	27,961	26,679
Other	513	437
<b>Total Assets</b>	<u>\$102,557</u>	<u>\$94,668</u>
<b>Liabilities</b>		
<b>Intragovernmental</b>		
Accounts payable	\$3,193	\$4,485
Employee benefits payable (Note 6)	2,149	1,734
Workers' compensation (Note 7)	2,511	2,595
<b>Total Intragovernmental</b>	<u>7,853</u>	<u>8,814</u>
Accounts payable and other	9,618	10,896
Salaries and benefits (Note 6)	12,281	10,032
Accrued annual leave (Note 5)	31,307	31,284
Actuarial FECA liability (Note 7)	16,591	16,714
<b>Total Liabilities</b>	<u>77,650</u>	<u>77,740</u>
<b>Net Position</b>		
Unexpended appropriations	26,151	26,616
Cumulative results of operations	(1,244)	(9,688)
<b>Total Net Position (Note 13)</b>	<u>24,907</u>	<u>16,928</u>
<b>Total Liabilities and Net Position</b>	<u>\$102,557</u>	<u>\$94,668</u>

The accompanying notes are an integral part of these financial statements.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Net Cost**  
**For the Fiscal Years Ended September 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>Net Costs by Goal (Note 2)</b>		
<b>Goal 1: Well-being/Financial Security of American People</b>		
Gross Costs	\$218,768	\$216,248
Less: reimbursable services	<u>(799)</u>	<u>(1,002)</u>
Net goal costs	217,969	215,246
<b>Goal 2: Changing Security Threats/Challenges of Global Interdependence</b>		
Gross Costs	141,594	137,333
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	141,594	137,333
<b>Goal 3: Transforming the Federal Government's Role</b>		
Gross Costs	152,051	147,127
Less: reimbursable services	<u>(16,802)</u>	<u>(15,343)</u>
Net goal costs	135,249	131,784
<b>Goal 4: Maximize the Value of GAO</b>		
Gross Costs	14,917	14,429
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	14,917	14,429
<b>Other Costs in Support of the Congress</b>		
Gross Costs	28,171	28,527
Less: reimbursable services	<u>(1,295)</u>	<u>(1,287)</u>
Net costs	26,876	27,240
Less: reimbursable services not attributable to above cost categories	<u>(9,307)</u>	<u>(10,953)</u>
<b>Net Cost of Operations (Note 10)</b>	<u>\$527,298</u>	<u>\$515,079</u>

The accompanying notes are an integral part of these statements.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Changes in Net Position**  
**For the Fiscal Years Ended September 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>Cumulative Results of Operations, Beginning of fiscal year</b>	(9,688)	(6,268)
<b>Budgetary Financing Sources - Appropriations used</b>	505,844	484,847
<b>Other Financing Sources</b>		
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	29,898	26,874
Transfers Out	-	(62)
<b>Total Financing Sources</b>	535,742	511,659
<b>Net Cost of Operations</b>	527,298	515,079
<b>Net Change</b>	8,444	(3,420)
<b>Cumulative Results of Operations</b>	(1,244)	(9,688)
<b>Unexpended Appropriations, Beginning of fiscal year</b>	\$26,616	\$31,496
<b>Budgetary Financing Sources and Uses</b>		
Appropriations received	505,383	506,282
Appropriations transferred (out)/in (Note 11)	(4)	419
Appropriations permanently not available	-	(26,734)
Appropriations used	(505,844)	(484,847)
<b>Total Unexpended Appropriations, End of fiscal year</b>	\$26,151	\$26,616
<b>Net Position</b>	\$24,907	\$16,928

The accompanying notes are an integral part of these financial statements.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Budgetary Resources**  
**for the Fiscal Years Ended September 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>Budgetary Resources (Note 11)</b>		
Unobligated balance, brought forward, October 1	\$22,105	\$31,994
Recoveries of prior year unpaid obligations	5,007	9,067
Other changes in unobligated balances (+ or -)	(74)	-
Unobligated balance from prior year budget authority, net	27,038	41,061
Appropriations	505,453	479,967
Spending authority from offsetting collections	29,995	25,718
<b>Total Budgetary Resources</b>	<u>\$562,486</u>	<u>\$546,746</u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$534,259	\$524,641
Unobligated balance, end of year:		
Apportioned	11,888	4,689
Unapportioned	16,339	17,416
Total unobligated balance, end of year	28,227	22,105
<b>Total budgetary resources</b>	<u>\$562,486</u>	<u>\$546,746</u>
<b>Change in Obligated Balances</b>		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	\$53,246	\$67,413
Adjustment to unpaid obligations, start of year:		
Obligations incurred	534,259	524,641
Gross outlays	(529,275)	(529,741)
Recoveries of prior year unpaid obligations	(5,007)	(9,067)
<b>Unpaid obligations, end of year</b>	<u>\$53,223</u>	<u>\$53,246</u>
Uncollected Payments:		
Uncollected customer payments from Federal sources, brought forward, October 1	(\$8,082)	(\$14,063)
Change in uncollected customer payments from Federal sources	(1,057)	5,981
<b>Uncollected customer payments from Federal sources, end of year</b>	<u>(\$ 9,139)</u>	<u>(\$8,082)</u>
<b>Obligated balance, start of year</b>	<u>\$45,164</u>	<u>\$53,350</u>
<b>Obligated balance, end of year</b>	<u>\$44,084</u>	<u>\$45,164</u>
<b>Budget Authority and Outlays, Net</b>		
Budget authority, gross	\$535,448	\$505,685
Actual offsetting collections	(28,938)	(31,699)
Change in uncollected customer payments from Federal sources	(1,057)	5,981
<b>Budget authority, net</b>	<u>\$505,453</u>	<u>\$479,967</u>
Outlays, gross	\$529,275	\$529,741
Actual offsetting collections	(28,938)	(31,699)
<b>Outlays, net</b>	<u>\$500,337</u>	<u>\$498,042</u>
Distributed offsetting receipts	(10)	-
<b>Outlays, net</b>	<u>\$500,327</u>	<u>\$498,042</u>

The accompanying notes are an integral part of these financial 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, and budgetary resources of the United States Government Accountability Office (GAO). 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 as well as revenue from reimbursable audit services and rental income. The revenue from audit services and rental income is presented on the statements of net cost as "reimbursable services" and included as part of "spending authority from offsetting collections" on the statements of budgetary resources. 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. The Davis-Bacon Act trust's assets, related liabilities, revenues, and costs related to beneficiary payments are not those of GAO and therefore are not included in the accompanying financial statements. See [Note 14](#), Davis-Bacon Act Trust Function.

### *Basis of Accounting*

GAO's financial statements have been prepared on the accrual basis and the budgetary basis of accounting in conformity with generally accepted accounting principles 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 used to prepare the Statements of Budgetary Resources. 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 accordance with OMB Circular No. A-136, *Financial Reporting Requirements*, Revised.

### *Intragovernmental Assets*

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

### *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 from which GAO is authorized to make expenditures and pay liabilities.

### ***Accounts Receivable, net***

GAO's accounts receivable are due principally from federal agencies for reimbursable services; therefore, GAO has not established an allowance for doubtful accounts.

### ***Property and Equipment, net***

The GAO headquarters building qualifies as a multiuse heritage asset, is GAO's only heritage asset, and is reported with property and equipment on the balance sheets. The building's designation as a multiuse heritage asset is a result of both being listed in the National Register of Historic Places and being used in general government operations. Statement of Federal Financial Accounting Standards No. 29 requires accounting for multiuse heritage assets as general property, plant, and equipment to be included in the balance sheet and depreciated. There is no deferred maintenance on the building. The building was depreciated on a straight-line basis over 25 years and is fully depreciated.

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 multiuse heritage asset.

### ***Liabilities***

Liabilities represent amounts that are likely to be paid by GAO as a result of transactions that have already occurred. Intragovernmental liabilities are those liabilities that arise from transactions with other federal entities.

### ***Accounts Payable***

Accounts Payable consists of amounts owed to federal agencies and commercial vendors for goods and services received.

### ***Federal Employee Benefits Payable***

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 6](#)).

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 deaths are attributable to 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 (see [Note 7](#)).

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 a financing source on the statements of changes in net position and are also included as a component of net cost by goal on the statements 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. All leave is funded when taken.

### ***Contingencies***

GAO has certain claims and lawsuits pending against it. GAO's policy is to recognize a contingent liability in the financial statements for any losses considered probable and estimable. Management believes that the likelihood of losses from certain other claims and lawsuits is remote and therefore no provision for losses is included in the financial statements.

### ***Estimates***

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, expenses, and in the note disclosures. Actual results could differ from these estimates.

## Note 2. Intragovernmental and Public Costs and Revenue

GAO tracks direct costs (payroll and contracts) to each Goal or Other Costs as assigned through a designated part of the accounting code. Costs which are not considered direct costs of a Goal or Other Costs are accumulated as Indirect and Overhead costs, which are then allocated across the Goals or Other Costs on a rational pro-rata basis. Intragovernmental transactions arise from transactions made between two reporting entities within the federal government in contrast with public transactions, which arise from transactions made with a nonfederal entity. Intragovernmental and public costs and earned revenue for the periods ended September 30, 2014, and September 30, 2013, are as follows:

Dollars in thousands

	2014	2013
<b>Goal 1: Well-Being/Financial Security of American People</b>		
Intragovernmental costs	\$55,740	\$55,611
Public costs	163,028	160,637
Total Goal 1 costs	<u>218,768</u>	<u>216,248</u>
Intragovernmental earned revenue	(799)	(1,002)
Net Goal 1 costs	<u>217,969</u>	<u>215,246</u>
<b>Goal 2: Changing Security Threats/Challenges of Global Interdependence</b>		
Intragovernmental costs	36,665	35,758
Public costs	104,929	101,575
Total Goal 2 costs	<u>141,594</u>	<u>137,333</u>
<b>Goal 3: Transforming the Federal Government's Role</b>		
Intragovernmental costs	36,702	36,838
Public costs	115,349	110,289
Total Goal 3 costs	<u>152,051</u>	<u>147,127</u>
Intragovernmental earned revenue	(16,802)	(15,343)
Net Goal 3 costs	<u>135,249</u>	<u>131,784</u>
<b>Goal 4: Maximize the Value of GAO</b>		
Intragovernmental costs	3,392	3,443
Public costs	11,525	10,986
Total Goal 4 costs	<u>14,917</u>	<u>14,429</u>
<b>Other costs in support of the Congress</b>		
Intragovernmental costs	11,584	10,811
Public costs	16,587	17,716
Total other costs	<u>28,171</u>	<u>28,527</u>
Intragovernmental earned revenue	(1,295)	(1,287)
Net other costs	<u>26,876</u>	<u>27,240</u>
<b>Earned revenue not attributable to above cost categories</b>		
Intragovernmental	(9,183)	(10,812)
Public	(124)	(141)
Total earned revenue not attributable to goals	<u>(\$9,307)</u>	<u>(\$10,953)</u>

Goals 2 and 4 have no associated intragovernmental revenues and all public earned revenue collected is not attributable to Goals or Other Costs.

### Note 3. Funds with the U.S. Treasury

GAO's funds with the U.S. Treasury consist of appropriated funds. The status of these funds as of September 30, 2014, and September 30, 2013, is as follows:

**Dollars in thousands**

	2014	2013
Unobligated balance		
Available	\$11,888	\$4,689
Unavailable	16,339	17,414
Obligated balances not yet disbursed	<u>44,084</u>	<u>45,164</u>
Total funds with U.S. Treasury	<u>\$72,311</u>	<u>\$67,267</u>

### Note 4. Property and Equipment, Net

The composition of property and equipment as of September 30, 2014, is as follows:

**Dollars in thousands**

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Land	\$1,191	–	\$1,191
Building and Improvements	128,810	\$110,379	18,431
Computer and other equipment and software	61,691	53,552	8,139
Leasehold improvements	<u>3,531</u>	<u>3,331</u>	<u>200</u>
Total property and equipment	<u>\$195,223</u>	<u>\$167,262</u>	<u>\$27,961</u>

Depreciation expense for property and equipment for fiscal year 2014: \$6,007,000.

The composition of property and equipment as of September 30, 2013 is as follows:

**Dollars in thousands**

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Land	\$1,191	–	\$1,191
Building and Improvements	125,649	\$106,676	18,973
Computer and other equipment and software	58,646	52,362	6,284
Leasehold improvements	<u>3,650</u>	<u>3,419</u>	<u>231</u>
Total property and equipment	<u>\$189,136</u>	<u>\$162,457</u>	<u>\$26,679</u>

Depreciation expense for property and equipment for fiscal year 2013: \$7,369,000.

## Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets 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, 2014, and September 30, 2013, is as follows:

Dollars in thousands

	2014	2013
Intragovernmental liabilities—Workers' compensation	\$2,511	\$2,595
Salaries and benefits—Comptrollers' General retirement plan*	1,246	1,324
Accrued annual leave	31,307	31,284
Workers' compensation (Actuarial FECA liability)**	16,591	16,714
Total liabilities not covered by budgetary resources	<u>\$51,655</u>	<u>\$51,917</u>

\* See Note 6 for further discussion of the Comptrollers' General retirement plan.

\*\* See Note 7 for further discussion of workers' compensation.

## Note 6. Federal Employee Benefits

All permanent employees participate in either 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). 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. GAO makes contributions to CSRS, FERS, and FICA and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses.

In addition, all permanent employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance (FEGLI) Program and may continue to participate after retirement. GAO makes contributions through OPM to FEHBP and FEGLI for active employees to pay for their current benefits. GAO's contributions for active employees are recognized as operating expenses. Using the cost factors supplied by OPM, GAO has also recognized an expense in its financial statements for the estimated future cost of postretirement health benefits and life insurance for its employees. These costs are financed by OPM and imputed to GAO.

Amounts owed to OPM and Treasury as of September 30, 2014, and September 30, 2013, are \$2,149,000 and \$1,734,000, respectively, for FEHBP, FEGLI, FICA, FERS, and CSRS contributions and are shown on the balance sheets as an employee benefits liability.

Details of the major components of GAO's federal employee benefit costs for the periods ended September 30, 2014, and September 30, 2013, are as follows:

**Dollars in thousands**

<b>Federal employee benefits costs</b>	<b>2014</b>	<b>2013</b>
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$16,746	\$13,648
Estimated future postretirement health and life insurance (FEHBP/FEGLI)	13,152	13,226
Total	<u>\$29,898</u>	<u>\$26,874</u>
Pension expenses (CSRS/FERS)	\$36,318	\$35,697
Health and life insurance expenses (FEHBP/FEGLI)	\$21,206	\$20,562
FICA and Medicare payments made by GAO	\$20,745	\$19,800
Thrift Savings Plan – matching contribution by GAO	\$13,337	\$12,871

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. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits of \$1,246,000 as of September 30, 2014, and \$1,324,000 as of September 30, 2013, is included as a component of salary and benefit liabilities on GAO's balance sheets. The following summarizes the changes in the actuarial liability for current plan year:

**Dollars in thousands**

Actuarial liability as of September 30, 2013	\$1,324
Expense:	
Interest on the liability balance	45
Actuarial loss/(gain):	
From experience	50
From assumption changes	(2)
Total expense	93
Less benefits paid	(171)
Actuarial liability as of September 30, 2014	<u>\$1,246</u>

## Note 7. Workers' Compensation

GAO utilizes the services of an independent actuarial firm to calculate its FECA liability. GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2014, and September 30, 2013, which is expected to be paid in future periods. This estimated liability of \$16,591,000 and \$16,714,000 as of September 30, 2014, and September 30, 2013, respectively, is reported on GAO's balance sheets. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2014, and September 30, 2013, of \$2,511,000 and \$2,595,000, respectively, but not yet reimbursed to DOL by GAO. The amount owed to DOL is reported on GAO's balance sheets as an intragovernmental liability.

## Note 8. Building Lease Revenue

In fiscal year 2011 GAO entered into a 10 year lease agreement with U.S. Army Corps of Engineers (USACE) to continue to lease the entire third floor, and part of the sixth floor, of the GAO building. The period of this agreement began in fiscal year 2011 with an option to renew each year through fiscal year 2020. Total rental revenue to GAO includes a fixed base rent plus operating expense reimbursements, with escalation clauses each year, if the option years are exercised.

In fiscal year 2012 GAO entered into a 10 year lease with the Department of Justice (DOJ) to lease part of the first and sixth floors of the GAO headquarters building. The period of this lease began in fiscal year 2012 with an option to renew each year through fiscal year 2022.

Rental revenue from space leased at GAO headquarters for fiscal years 2014 and 2013 was \$9,178,000 and \$8,561,000, respectively. These amounts are included on the statements of net cost as a major component of “Reimbursable services not attributable to above cost categories.” Total rental revenue for the future periods from both USACE and DOJ is as follows:

Dollars in thousands

Fiscal year ending September 30	Total projected receipts*
2015	\$9,286
2016	9,395
2017	9,509
2018	9,626
2019	9,747
2020 - 2022	<u>14,272</u>
Total	<u>\$61,835</u>

\*If option years are exercised.

## Note 9. Leases

### *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 years 2014 and 2013 amounted to approximately \$7,118,000 and \$8,017,000, respectively. Leases for equipment under operating leases are generally for less than 1 year; therefore there are no associated future minimum lease payments. Annual lease costs under the operating leases are included as components of net cost in the statements of net cost. Estimated future minimum lease payments for field office space under the current terms of the leases, which range from 1 to 10 years, are presented in the [table below](#).

**Dollars in thousands**

<b>Fiscal year ending September 30</b>	<b>Total</b>
2015	\$5,926
2016	3,461
2017	3,498
2018	2,101
2019	1,453
2020 and thereafter	4,194
Total estimated future lease payments	<u>\$20,633</u>

## Note 10. Net Cost of Operations

Expenses for salaries and related benefits, net of reimbursable collections, for fiscal year 2014 and fiscal year 2013 amounted to \$438,185,000 and \$428,826,000, respectively, about 83 percent of GAO's net cost of operations for both fiscal years 2014 and 2013. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$29,898,000 in fiscal year 2014 and \$26,874,000 in fiscal year 2013.

Revenues from reimbursable services are shown as an offset against the full cost to arrive at net cost. Earned revenues that are insignificant or cannot be associated with a major goal or other cost category 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 2014 and fiscal year 2013 amounted to \$28,203,000 and \$28,585,000, respectively. Further details of the intragovernmental components are provided in [Note 2](#).

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 statements of changes in net position.

"Other costs in support of the Congress" represents costs of work which directly supports Congress and which represents GAO's fulfillment of its statutory responsibilities but which is not engagement specific. Examples of this work include support of the Federal Accounting Standards Advisory Board, General Counsel statutory bid protest decision writing function, recommendation follow up work, and other direct support to Congress.

## Note 11. Budgetary Resources

Budgetary resources available to GAO during fiscal year 2014 include current year appropriations, prior years' unobligated balances, reimbursements earned by GAO from providing goods and services to other federal entities for a price (reimbursable services), and cost-sharing arrangements with other federal entities.

Earned reimbursements consist primarily of rent collected from USACE and DOJ for lease of space and related services in the GAO headquarters building as well as certain program and financial audits of federal entities, including components of the Department of the

Treasury, Securities and Exchange Commission, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, and Federal Housing Finance Agency. Earned revenue from rent is available indefinitely, subject to annual obligation ceilings, and must be used to offset the cost of operating and maintaining the GAO headquarters building. Reimbursements from program and financial audits are available without limitations on their use and may be subject to annual obligation ceilings. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law.

Fiscal year 2014 budgetary resources include \$70,000 of budget authority transferred to GAO's Inspector General (IG) Office to carry out the duties of the Inspector General of the Commission on Civil Rights (the Commission). During fiscal year 2013 the corresponding amount was \$419,000, of which \$74,000 was returned during fiscal year 2014. GAO's IG was directed to close out all of its pending work as IG of the Commission during fiscal year 2014 as this was their last year as the Commission's IG.

Comparison of GAO's fiscal year 2013 statement of budgetary resources with the corresponding information presented in the 2015 President's Budget is as follows:

<b>Dollars in thousands</b>		
	<b>Budgetary resources</b>	<b>Obligations incurred</b>
<b>Fiscal year 2013 Statement of Budgetary Resources</b>	<b>\$546,746</b>	<b>\$524,641</b>
Topside adjustment – not captured in President's Budget*	(4,822)	(4,822)
Unobligated balances, beginning of year – (funds activity, expired accounts)	(6,006)	-
Recovery of prior year unpaid obligations	(4,246)	-
Spending authority from offsetting collections – (funds activity, expired accounts)	1,516	-
Other – rounding in President's Budget	(1,188)	181
<b>2015 President's Budget – fiscal year 2013, actual</b>	<b><u>\$532,000</u></b>	<b><u>\$520,000</u></b>

\*An adjustment was made after the Treasury FACTS adjustment window closed in 2013 therefore the amount is not reflected in the President's Budget

As the fiscal year 2016 President's Budget will not be published until February 2015, a comparison between the fiscal year 2014 data reflected on the statement of budgetary resources and fiscal year 2014 data in the President's Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2016 President's Budget will be available on the OMB's website and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2014 and the end of fiscal year 2013 totaled \$27,239,000 and \$27,439,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2014 and 2013 are as follows:

**Dollars in thousands**

<b>Fiscal year ending September 30</b>	<b>2014</b>	<b>2013</b>
Direct – Category A	\$511,124	\$488,294
Reimbursable – Category A	23,135	36,347
Total obligations incurred	<u>\$534,259</u>	<u>\$524,641</u>

**Note 12. Reconciliation of Net Costs of Operations to Budget**

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ending September 30, 2014 and 2013 are as follows:

**Dollars in thousands**

<b>Fiscal year ending September 30</b>	<b>2014</b>	<b>2013</b>
<b>Resources used to finance activities</b>		
Budgetary resources obligated		
Obligations incurred	\$534,259	\$524,641
Less: spending authority from offsetting collections and recoveries	(35,002)	(34,785)
Obligations net of offsetting collections and recoveries	<u>499,257</u>	<u>489,856</u>
Other resources		
Transfers out without reimbursement	-	(62)
Federal employee retirement benefit costs paid by OPM imputed to GAO	29,898	26,874
Net other resources used to finance activities	<u>29,898</u>	<u>26,812</u>
Total resources used to finance activities	<u>529,155</u>	<u>516,668</u>
<b>Resources used to finance items not part of the net cost of operations</b>		
Change in undelivered orders and unfilled customer orders	(232)	(5,118)
Net decrease in lease liability and other	-	(2,188)
Assets capitalized	(7,223)	(2,740)
Net (increase)/decrease in receivables not generating resources until collected and other adjustments	<u>(144)</u>	<u>145</u>
Total resources used to fund items not part of the net cost of operations	<u>(7,599)</u>	<u>(9,901)</u>
Total resources used to finance net cost of operations	<u>521,556</u>	<u>506,767</u>
<b>Components of net costs that will not require or generate resources in the current period</b>		
(Decrease)/increase in workers' compensation	(207)	714
Increase in accrued annual leave	23	217
Decrease in other liabilities	<u>(81)</u>	<u>(63)</u>
Total components of net costs that will not (generate) or require resources in the current period	<u>(265)</u>	<u>868</u>
<b>Costs that do not require resources</b>		
Depreciation and other	<u>6,007</u>	<u>7,444</u>
<b>Net cost of operations</b>	<u>\$ 527,298</u>	<u>\$ 515,079</u>

## Note 13. Net Position

Net position on the balance sheets comprises unexpended appropriations and cumulative results of operations. Unexpended appropriations are the sum of the total unobligated appropriations and undelivered goods and services for appropriated funds. Cumulative results of operations represent the difference between financing sources and expenses since inception. Details of the components of GAO's cumulative results of operations for the fiscal years ended September 30, 2014, and 2013, are as follows:

### Dollars in thousands

	2014	2013
Investment in property and equipment, net	\$27,961	\$26,679
Net reimbursable funds activity	21,937	15,259
Other – supplies inventory and accounts receivable from public	513	291
Liabilities not covered by budgetary resources	<u>(51,655)</u>	<u>(51,917)</u>
Cumulative results of operations	<u>(\$1,244)</u>	<u>(\$9,688)</u>

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided. See [Note 5](#) for components.

## Note 14. Davis-Bacon Act Trust Function – Separately Audited

At the beginning of fiscal year 2014, GAO's responsibility to pay claims for violations of the Davis-Bacon Act and the Contract Work Hours and Safety Standards Act was transferred to the Secretary of the Department of Labor.

During fiscal year 2013, GAO was responsible for administering for the federal government the trust function of the Davis-Bacon Act revenue and costs related to beneficiary payments and prepared separate, audited financial schedules for this fund. GAO maintained 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 investigated violation allegations to determine if federal contractors owed additional wages to covered employees. If DOL concluded that a violation had occurred, GAO collected the amount owed from the contracting federal agency, deposited the funds into an account with the U.S. Treasury, and remitted payment to the claimant. GAO was accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets and liabilities under GAO's administration as of September 30, 2013 totaled approximately \$5,804,000. These assets were not the assets of GAO or the federal government and were held for distribution to appropriate claimants. Revenues and costs related to beneficiary payments in the trust amounted to \$6,294,000 in fiscal year 2013.

## Other Information

Consistent with *OMB Circular No. A-136* requirements, we are including an unaudited, comparative [Schedule of Spending](#) (Schedule) in Other Information for the years ended September 30, 2014 and September 30, 2013 following our audited financial statements and notes. The [Schedule](#) presents an overview of how we are spending money on a budgetary basis and is not meant to agree to the cost information on the [Statement of Net Cost](#), which presents accrual based proprietary information. The data used to populate the Schedule is the same underlying data used to populate the [Statement of Budgetary Resources](#). The amounts in the Schedule agree with the budgetary resources and obligations incurred reported in the [Statement of Budgetary Resources](#).

**U.S. Government Accountability Office****Schedules of Spending for the Fiscal Years Ended September 30, 2014 and 2013**

(Dollars in thousands)

<b>UNAUDITED</b>		<b><u>2014</u></b>	<b><u>2013</u></b>
<b>What Money is Available to Spend?</b>			
Appropriations		\$505,453	\$479,967
Spending Authority from Offsetting Collections		29,995	25,718
Recoveries and Other Changes in Prior Year Unobligated Balances		<u>27,038</u>	<u>41,061</u>
<b>Total Resources</b>		562,486	546,746
Less Amount Available but Not Agreed to be Spent		(11,888)	(4,689)
Less Amount Not Available to be Spent		<u>(16,339)</u>	<u>(17,416)</u>
<b>Total Amounts Agreed to be Spent</b>		<u><u>\$534,259</u></u>	<u><u>\$524,641</u></u>
<b>How was the Money Spent?</b>			
<b>Direct Funds</b>			
Personnel			
Salaries and Benefits		\$417,775	\$396,505
Training		2,990	2,604
Operations			
IT Services and Equipment		52,436	48,419
Buildings and Equipment		17,948	17,061
Travel		7,128	6,392
Contractual Services (non-IT)		<u>12,847</u>	<u>17,313</u>
<b>Total Direct Funds Spending</b>		<u><u>\$511,124</u></u>	<u><u>\$488,294</u></u>
<b>Reimbursable Funds</b>			
Personnel			
Salaries and Benefits		\$11,263	\$22,306
Operations			
Buildings and Equipment		6,604	8,571
Travel		481	389
Contractual Services (non-IT)		<u>4,787</u>	<u>5,081</u>
<b>Total Reimbursable Funds Spending</b>		<u><u>\$23,135</u></u>	<u><u>\$36,347</u></u>
<b>Total Amounts Agreed to be Spent</b>		<u><u>\$534,259</u></u>	<u><u>\$524,641</u></u>

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GAO



# Part IV

## Inspector General's View of GAO's Management Challenges

SERVING CONGRESS AND THE NATION

# Inspector General's Statement



United States Government Accountability Office

## Memorandum

**Date:** October 15, 2014  
**To:** Comptroller General Gene L. Dodaro  
**From:** Inspector General Adam R. Trzeciak *Ad-R. Trzeciak*  
**Subject:** GAO Management Challenges

We considered management's assessment of GAO's internal management challenges. Based on our work and institutional knowledge, we agree that GAO faces human capital and engagement efficiency challenges. This year, GAO added information security as a third challenge. OIG did not perform an information security evaluation in FY 2014, but, based on the number and complexity of threats facing government agencies, the OIG believes it is prudent for GAO to reemphasize the challenge it faces to protect information and mitigate vulnerabilities as it transitions to new service platforms and software applications.

In fiscal year 2014, our office completed one human capital audit that evaluated the GAO's implementation of the Federal Employees' Compensation Act (FECA) program. Based on the results of our audit, we believe that GAO also faces challenges in its management of workers compensation cases, including documentation needed to ensure that employees are returned to work when able.

GAO management has taken steps to enhance coordination with FECA program staff at the Department of Labor (DOL). It established a work log to track and monitor all DOL cases; and implemented a quarterly review to identify documentation needs and determine case status. In April 2014, HCO hired a benefit specialist whose major duties include administering GAO's workers' compensation program. Moving forward, management needs to implement operating procedures and to clearly identify staff roles and responsibilities for managing its FECA program.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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# Part V

## Appendixes

SERVING CONGRESS AND THE NATION

## Appendix I: Abbreviations

APQA	Audit Policy and Quality Assurance
ARM	Applied Research and Methods
ASC	Appraisal Subcommittee
BFO	Boston Field Office
BI	business intelligence
BLM	Bureau of Land Management
CAO	Chief Administrative Officer
CDC	Centers for Disease Control
CFPB	Bureau of Consumer Financial Protection
CMS	Centers for Medicare & Medicaid Services
CPIO	Continuous Process Improvement Office
CSAT	Customer Satisfaction Survey
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
Education	Department of Education
EMS	Engagement Management System
EPA	Environmental Protection Agency
ERS	Engagement Reporting System
ESC	Enterprise Services Center
FACT	Foreign Affairs Counter Threat
FAIS	Forensic Audits and Investigative Service
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees' Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FIA	Financial Integrity Act
FIAR	Financial Improvement and Audit Readiness
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMCSA	Federal Motor Carrier Safety Administration
FMFIA	Federal Managers' Financial Integrity Act
FTC	Federal Trade Commission
FTE	full-time equivalent
FVRA	Federal Vacancies Reform Act
GE	genetically engineered
GPRA	Government Performance and Results Act as amended

ICD	Intelligence Community Directive
ICE	Immigration and Customs Enforcement
IES	Institute of Education Sciences
IFPTE	International Federation of Professional and Technical Engineers
IG	inspector general
INTOSAI	International Organization of Supreme Audit Institutions
IRS	Internal Revenue Service
IT	Information technology
LCS	Littoral Combat Ship
LEP	limited English proficiency
LVPA	low-volume payment adjustment
MHA	Making Home Affordable program
MOU	memorandum of understanding
NASA	National Aeronautics and Space Administration
NFC	National Finance Center
NIAF	National Intergovernmental Audit Forum
NMAP	National Medicaid Audit Program
NMB	National Mediation Board
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	performance and accountability report
PBC	performance-based compensation
PEPFAR	President's Emergency Plan for AIDS Relief
PPACA	Patient Protection and Affordable Care Act
RFP	Request for Proposal
RIK	royalty-in-kind
RUS	Rural Utilities Service
SAI	supreme audit institution
SBU	Sensitive But Unclassified
SEC	Securities and Exchange Commission
SES	Senior Executive Service
SLS	Space Launch System
SMS	Safety Measurement System
SPOT	Screening of Passengers by Observation Techniques
SPR	Strategic Petroleum Reserve
SSN	Social Security number
State	Department of State
STEM	science, technology, engineering, and mathematics
TARP	Troubled Asset Relief Program
TSA	Transportation Security Administration
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USDA	Department of Agriculture
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

# Appendix II: Data Quality

## Verifying and Validating Performance Data

Each year, we measure our performance with indicators of the results of our work, client service, people management, and internal operations. To assess our performance, we use actual, rather than projected, data for almost all of our performance measures. We believe the data are complete and reliable based on our verification and validation procedures to ensure quality. The specific sources of the data for our annual performance measures, 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**

Results measures	
<b>Financial benefits</b>	
<b>Definition and background</b>	<p>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 cost reduction of agency or congressional actions. These financial benefits generally result from work that we completed over the past several years. The estimated benefit is based on actions taken in response to our work, such as reducing government expenditures, increasing revenues, or reallocating 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. In some cases, we can claim financial benefits over multiple years based on a single agency or congressional action.</p> <p>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 the filing of 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 non-GAO sources. To help ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to 2 years of accrued reductions, but up to 5 fiscal years of financial benefits can be claimed if the reductions are sustained over a period longer than 2 years. Multiyear reductions in long-term projects, changes in tax laws, program terminations, or sales of government assets are limited to 5 years. Financial benefits can be claimed for past or future years. 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 in order to compute the associated financial benefits using our present value calculator.</p> <p>Managing directors decide when their staff can claim financial benefits. A managing director may choose to claim a financial benefit all in 1 year or over several years, if the benefit spans future years and the managing director wants greater precision as to the amount of the benefit.</p>
<b>Data sources</b>	<p>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 our Office of Audit Policy and Quality Assurance (APQA) for review. Once accomplishment reports are approved, they are entered into our Engagement Reporting System (ERS), which is the official reporting database.</p>

<b>Verification and Validation</b>	<p>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 team identifies when a financial benefit has occurred as a result of our work. The team develops estimates based on non-GAO sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and files accomplishment reports based on those estimates. When non-GAO estimates are not readily available, GAO estimates—developed in consultation with our experts, such as the Chief Economist, Chief Actuary or Director for the Center for Economics, and corroborated with a knowledgeable program official from the executive agency involved. The estimates are reduced by significant identifiable offsetting costs. The team develops documentation to support accomplishments with evidence that meets our evidence standard, supervisors review the documentation, and an independent person within GAO reviews the accomplishment report. For all financial accomplishment reports, the managing director prepares a memorandum addressed to the Chief Quality Officer attesting that the accomplishment report meets our standards for accomplishment reporting. The memorandum specifically (1) addresses how linkage to GAO is established and (2) attests that the financial benefits are claimed in accordance with our procedures. Beginning in fiscal year 2010, teams are also required to consult with our Center for Economics on the calculation for financial benefits of \$500 million or more. For each of the financial accomplishment reports, an economist reviews and approves the methodology for calculating the proposed financial benefit. The assessment results are documented in the accomplishment’s supporting documentation and provided to the second reviewers.</p> <p>The team’s managing director is authorized to approve financial accomplishment reports with benefits of less than \$100 million. The team forwards the report to APQA, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. In fiscal year 2014, APQA approved accomplishment reports covering over 97 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2014, accomplishments of \$500 million or more were also reviewed by independent second and third reviewers (reemployed GAO annuitants), who have substantial experience and knowledge of our accomplishment reporting policies and procedures. Our total fiscal year 2014 reported financial benefits reflect the views of the independent reviewers.</p>
<b>Data limitations</b>	<p>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 non-GAO sources 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.</p>
<b>Other Benefits</b>	
<b>Definition and background</b>	<p>Our work—including our findings and recommendations—may produce benefits to the government that cannot be estimated in dollar terms. These other benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations.</p> <p>Other benefits generally result from past work that we completed. Other benefits are linked to specific recommendations or other work that we completed over several years. To claim that other benefits have been achieved, 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.</p>
<b>Data sources</b>	<p>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 APQA for its review. Once accomplishment reports are approved, they are entered into ERS, which is the official reporting system.</p>

<b>Verification and validation</b>	<p>We use the Accomplishment Reporting System to record the other benefits that result from our findings and recommendations. Staff in the team file accomplishment reports to claim benefits resulting from our work. The team develops documentation to support accomplishments with evidence that meets our standards. Supervisors review the documentation; an independent staff person checks the facts of the accomplishment report; and the team’s managing director, director, or both approve the accomplishment report to ensure its appropriateness, including attribution to our work.</p> <p>The team forwards the report to APQA, where it is reviewed for appropriateness. APQA provides summary data on other benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded.</p>
<b>Data limitations</b>	<p>The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and the resulting benefits. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
<b>Percentage of products with recommendations</b>	
<b>Definition and background</b>	<p>We measure the percentage of our written reports and numbered correspondence 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 to ensure that recommendations are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and are specific, feasible, and cost-effective. Some of our products are informational and do not contain recommendations.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations.</p>
<b>Data sources</b>	<p>Our Publications Database incorporates recommendations from products as they are issued. The database is updated daily.</p>
<b>Verification and validation</b>	<p>Our Information Management team enters data on recommendations into a “staging” system where they are reviewed for accuracy and completeness. Once reviewed, the data are posted to the Publications Database. We provide our managers 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.</p>
<b>Data limitations</b>	<p>This measure is 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.</p>
<b>Past recommendations implemented</b>	
<b>Definition and background</b>	<p>We make recommendations designed to improve the operations of the federal government. For our work to produce financial or other benefits, the Congress or 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 2014 implementation rate is the percentage of recommendations made in fiscal year 2010 products that were implemented by the end of fiscal year 2014). Our experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p>
<b>Data sources</b>	<p>Our Publications Database incorporates recommendations as products are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.</p>

<b>Verification and validation</b>	<p>Our policies and procedures specify that our staff must verify and document 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 team and by APQA.</p> <p>Summary data are provided to the teams that issued the recommendations. The teams check the data regularly to make sure that 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.</p>
<b>Data limitations</b>	<p>The data may be underreported because, in some cases, a recommendation may require more than 4 years to implement. We also may not count cases in which a recommendation is partially implemented. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
<b>Client measures</b>	
<b>Testimonies</b>	
<b>Definition and background</b>	<p>The Congress asks us to testify at hearings on various issues, and these hearings are the basis for this measure. Participation in hearings is one of our most important forms of communication with the Congress, and the hearings at which we testify reflect the importance and value of our institutional knowledge in assisting congressional decision making. When we have multiple witnesses with separate testimonies at a single hearing, we count this as a single testimony. We do not count statements submitted for the record when our witness does not appear.</p>
<b>Data sources</b>	<p>The data on hearings at which we testified are compiled in our Congressional Hearing System managed by staff in our Office of Congressional Relations (Congressional Relations).</p>
<b>Verification and validation</b>	<p>The teams responding to requests for testimony are responsible for entering data into the Congressional Hearing System. After we have testified at a hearing, Congressional Relations 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 that the data are complete and accurate.</p>
<b>Data limitations</b>	<p>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 target 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.</p>
<b>Timeliness</b>	
<b>Definition and background</b>	<p>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 solicit feedback from the client using an electronic form. We compute the proportion of favorable responses to a question related to timeliness. Because our products often have multiple congressional clients, we often outreach to more than one congressional staff person per product. We send a form to key staff working for requesters of our testimony statements and to clients of our more significant written products—specifically, engagements assigned an interest level of “high” by our senior management and those requiring an expected investment of 500 staff days or more. One question asks the respondent whether the product was delivered on time. When a product that meets our criteria is released to the public, we electronically send relevant congressional staff an e-mail message containing a link to the form. When this link is accessed, the form recipient is asked to respond to the timeliness question using a five-point scale—“strongly agree,” “generally agree,” “neither agree nor disagree,” “generally disagree,” or “strongly disagree”—or to choose “not applicable/no answer.” For this measure, favorable responses are “strongly agree” and “generally agree.”</p>

<b>Data sources</b>	To identify the products that meet our criteria (testimonies and other products that are high interest or expected to reach 500 staff days or more), we run a query against our Publications Database, which is maintained by a contractor. To identify appropriate recipients of the form for products meeting our criteria, we ask the engagement teams to provide in our Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into another database that is managed by APQA. This database then combines product, form recipient, and data from our Congressional Relations staff and creates an e-mail message with a web link to the form. (Congressional Relations staff serve as the contacts for form recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate form. Our Client Feedback Database creates a record with the product title and number and captures the responses to every form sent back to us electronically.
<b>Verification and validation</b>	APQA staff review released GAO products to check the accuracy of the addressee information in the APQA database. APQA staff also check the congressional staff directory to ensure that form recipients listed in the APQA database appear there. In addition, our Congressional Relations staff review the list of form recipients entered by the engagement teams and identify the most appropriate congressional staff person to receive a form for each client. E-mail messages that are inadvertently sent with incorrect e-mail addresses automatically reappear in the form approval system. When this happens, APQA staff correct the errors and resend the e-mail message.
<b>Data limitations</b>	Testimonies and written products that met our criteria for this measure were sent a client survey form, representing about 56 percent of the congressionally requested written products we issued during fiscal year 2014. We exclude from our timeliness measure low and medium-interest reports expected to take fewer than 500 staff days when completed, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General’s authority. Also, if a requester indicates that he or she does not want to complete a form, we will not send one to this person again, even though a product subsequently requested meets our criteria. The response rate for the form is 22 percent, and 96 percent of those who responded answered the timeliness question. We received responses from one or more people for about 48 percent of the products for which we sent a form in fiscal year 2014.

**People measures**

**New hire rate**

<b>Definition and background</b>	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 our strategic goals; projected workload changes; and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The Chief Operating Officer, Chief Administrative Officer, Deputy Chief Administrative Officer, Chief Human Capital Officer, and Controller meet monthly to monitor progress toward achieving the workforce plan. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.
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<b>Data sources</b>	The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Officer. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from the Department of Agriculture’s National Finance Center (NFC) database, which handles payroll and personnel data for us and other agencies.
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<b>Verification and validation</b>	The Chief Administrative Officer (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 enter workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Chief Operating Officer and the CAO that allow them to monitor progress by unit in achieving workforce plan hiring targets. The CAO continually monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies.
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<b>Data limitations</b>	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.
<b>Retention rate</b>	
<b>Definition and background</b>	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 complement of attrition. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements.
<b>Data sources</b>	Data on retention—that is, people who are on board at the beginning of the fiscal year and people on board at the end of the fiscal year—are taken from a CAO database that contains some data from the NFC database, which handles payroll and personnel data for us and other agencies.
<b>Verification and validation</b>	CAO staff continually monitor and review accessions and attritions against their database that contains NFC data and follow up on any discrepancies. In fiscal year 2009, we developed standard operating procedures, which are still in effect, to document how we calculate and ensure quality control over data relevant to this measure.
<b>Data limitations</b>	See <a href="#">New hire rate</a> , <a href="#">Data limitations</a> .
<b>Staff development</b>	
<b>Definition and background</b>	<p>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 further ensure confidentiality, in fiscal year 2014 the contractor also analyzed the data.</p> <p>This measure is based on staff’s favorable responses to three of the six questions related to staff development on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to three questions on a five-point scale or choose “no basis to judge/not applicable” or “no answer.”</p>
<b>Data sources</b>	The survey questions we used for this measure ask staff how much positive or negative impact (1) external training and conferences and (2) on-the-job training had on their ability to do their jobs 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.” In addition, the survey question asked how useful and relevant to your work did you find internal (Learning Center) training courses. From staff who expressed an opinion, we calculated the percentage of staff selecting the three categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were “very greatly useful and relevant,” “greatly useful and relevant,” and “moderately useful and relevant.” Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including “no basis to judge/not applicable” or “no answer” 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.

<b>Verification and validation</b>	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. In fiscal year 2014, our response rate to this survey was about 69 percent, 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.
<b>Data limitations</b>	<p>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.</p> <p>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 rather than entering the data into a database, thus eliminating a potential source of error.</p>
<b>Staff utilization</b>	
<b>Definition and background</b>	This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. We correlated each question with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these three questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see <a href="#">Staff development</a> .)
<b>Data sources</b>	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. See also <a href="#">Staff development</a> , <a href="#">Data sources</a> .
<b>Verification and validation</b>	See <a href="#">Staff development</a> , <a href="#">Verification and validation</a> .
<b>Data limitations</b>	See <a href="#">Staff development</a> , <a href="#">Data limitations</a> .
<b>Effective leadership by supervisors</b>	
<b>Definition and background</b>	This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of supervisory leadership on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Specifically, our calculation included responses to 1 of 4 questions related to empowerment, 2 of 4 questions related to trust, all 3 questions related to recognition, 1 of 3 questions related to decisiveness, 2 of 3 questions related to leading by example, and 1 of 3 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." In fiscal year 2009, we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employee satisfaction with the immediate supervisor's leadership.

**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. Specifically, the survey asked staff the following questions about their immediate supervisor during the last 12 months: (1) gave me the opportunity to do what I do best; (2) treated me fairly; (3) acted with honesty and integrity toward me; (4) ensured that there was a clear link between my performance and recognition of it; (5) gave me the sense that my work is valued; (6) provided me meaningful incentives for high performance; (7) made decisions in a timely manner; (8) demonstrated GAO’s core values of accountability, integrity, and reliability; (9) implemented change effectively; and (10) dealt effectively with equal employment opportunity and discrimination issues. See also [Staff development](#), [Data sources](#).

**Verification and validation** See [Staff development](#), [Verification and validation](#).

**Data limitations** See [Staff development](#), [Data limitations](#).

**Organizational climate**

**Definition and background** This measure is based on staff’s favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these 5 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. See also [Staff development](#), [Data sources](#).

**Verification and validation** See [Staff development](#), [Verification and validation](#).

**Data limitations** See [Staff development](#), [Data limitations](#).

**Internal operations measures**

**Help get job done and quality of work life**

**Definition and background** To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct a web-based customer satisfaction survey on administrative services annually. All employees were administered this survey and encouraged to indicate how satisfied they are with services that help them get their jobs done, services that affect their quality of work life and IT tools.

We asked staff to rate the internal services available to them, indicating on a scale from “very dissatisfied” to “very satisfied”—or to indicate if they did not use a service in the past year—and to provide a written reason for their rating and recommendations for improvement, if desired. Based on employees’ responses to these questions, we calculate a composite score.

In prior years our measure was the average score on the 5-point scale, so that the calculation would range from 1 to 5. To be consistent with how we report our People Measures from our employee feedback survey, in 2011 we began calculating our satisfaction with internal administrative surveys using the percentage satisfied, thus the calculation would range from 0 to 100%. We also feel a percentage would more easily be interpreted.

<b>Data sources</b>	<p>These data come from our staff's responses to an annual web-based survey. To determine how satisfied our employees are with internal administrative services, we calculate composite scores for three measures. This calculation is made by adding all of the generally and very satisfied ratings across all of the relevant services and dividing it by the number of respondents who provided any satisfaction rating. Of the three composite scores that we calculate, one measure reflects the satisfaction with the services that help employees get their jobs done, such as records management, information technology customer support, mail services, and travel support services. The second measure reflects satisfaction with services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and internal communications. The third measure is for IT tools, such as our internal engagement management system, telework tools and the intranet. Employees were asked to rate only their satisfaction with services used during the past year, or to indicate if they did not use a service.</p>
<b>Verification and validation</b>	<p>The survey was administered by GAO's Web Product Development Group in the Applied Research and Methods (ARM) team. While the two managers of this unit can access individual responses, they complied with the privacy statement that was posted on the website to only provide aggregated data to GAO management that could not be used to identify responses of any individual. We do not yet have data to report for fiscal year 2014. We analyzed responses by self-reported demographic data such as unit, tenure, and location. Each unit responsible for administrative services will conduct follow-on work, including analyzing written comments to gain a better understanding of the information from the survey and developing action plans to address problem areas.</p>
<b>Data limitations</b>	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, for example, from respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a web-based survey for which respondents enter their answers directly into an electronic questionnaire. This eliminates the need to have the data entered into a database by someone other than the respondent, thus minimizing a potential source of error.</p> <p>While we asked respondents to indicate whether or not they used a service and then for the services they used to provide their satisfaction rating, we found that some respondents did not follow this logic and did not indicate whether or not they used a service. Consequently, we did not calculate how many people used a service. We only analyzed the level of satisfaction from those reporting a response on the satisfaction question.</p>

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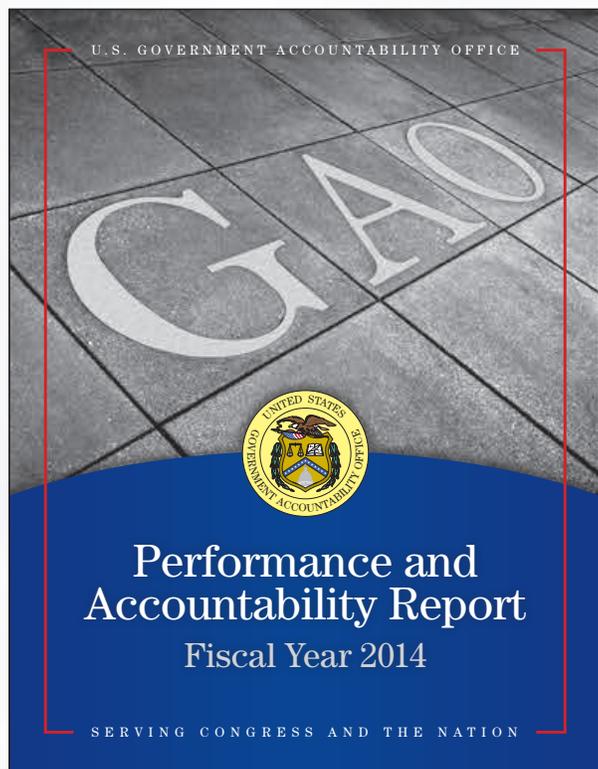
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