

Why GAO Did This Study

The federal government is the world's largest and most complex entity, with about \$3.5 trillion in outlays in fiscal year 2012 funding a broad array of programs and operations. GAO maintains a program to focus attention on government operations that it identifies as high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges. Since 1990, more than one-third of the areas previously designated as high risk have been removed from the list because sufficient progress was made to address the problems identified.

This biennial update describes the status of high-risk areas listed in 2011 and identifies any new high-risk area needing attention by Congress and the executive branch. Solutions to high-risk problems offer the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. government.

What GAO Recommends

This report contains GAO's views on progress made and what remains to be done to bring about lasting solutions for each high-risk area. Perseverance by the executive branch in implementing GAO's recommended solutions and continued oversight and action by Congress are essential to achieving progress. GAO is dedicated to continue working with Congress and the executive branch to help ensure additional progress is made.

HIGH-RISK SERIES

An Update

What GAO Found

In February 2011, GAO detailed 30 high-risk areas. Sufficient progress has been made to remove the high-risk designation from two areas.

- *Management of Interagency Contracting.* Improvements include (1) continued progress made by agencies in addressing identified deficiencies, (2) establishment of additional management controls, (3) creation of a policy framework for establishing new interagency contracts, and (4) steps taken to address the need for better data on these contracts.
- *Internal Revenue Service Business Systems Modernization.* The Internal Revenue Service (IRS) made progress in addressing significant weaknesses in information technology and financial management capabilities. IRS delivered the initial phase of its cornerstone tax processing project and began the daily processing and posting of individual taxpayer accounts in January 2012. This enhanced tax administration and improved service by enabling faster refunds for more taxpayers, allowing more timely account updates, and faster issuance of taxpayer notices. In addition, IRS has put in place close to 80 percent of the practices needed for an effective investment management process, including all of the processes needed for effective project oversight.

While these two areas have been removed from the High Risk List, GAO will continue to monitor them.

This year, GAO has added two areas.

- *Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks.* Climate change creates significant financial risks for the federal government, which owns extensive infrastructure, such as defense installations; insures property through the National Flood Insurance Program; and provides emergency aid in response to natural disasters. The federal government is not well positioned to address the fiscal exposure presented by climate change, and needs a government wide strategic approach with strong leadership to manage related risks.
- *Mitigating Gaps in Weather Satellite Data.* Potential gaps in environmental satellite data beginning as early as 2014 and lasting as long as 53 months have led to concerns that future weather forecasts and warnings—including warnings of extreme events such as hurricanes, storm surges, and floods—will be less accurate and timely. A number of decisions are needed to ensure contingency and continuity plans can be implemented effectively.

In the past 2 years notable progress has been made in the vast majority of areas that remain on GAO's High Risk List. This progress is due to the combined efforts of the Congress through oversight and legislation, the Office of Management and Budget through its leadership and coordination, and the agencies through their efforts to take corrective actions to address longstanding problems and implement related GAO recommendations.