

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

GOVERNMENT ACCOUNTABILITY OFFICE BUILDING



Performance and Accountability Report

Fiscal Year 2017

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.

A Fiscal Year 2017 Performance and Financial Snapshot for the American Taxpayer



Government Accountability Office

Who We Are: GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. It was created in 1921 to investigate how federal dollars are spent.

What We Do: Commonly known as the investigative arm of the Congress or the “congressional watchdog,” we examine how taxpayer dollars are spent and develop nonpartisan, objective, and reliable information to advise lawmakers and agency heads on ways to make government work better.

Our Results: Since 2002, GAO’s work has resulted in over \$820 billion in financial benefits and about 20,400 program and operational benefits that helped change laws, improved public safety and other services, and promoted better management throughout the government.

Did you know?

In fiscal year 2017:

–The Congress used GAO’s work extensively to identify legislative solutions to emerging problems, achieve cost savings, and enhance efficiencies in federal agencies and programs.

–GAO’s work yielded \$73.9 billion in financial benefits—a return of about \$128 for every dollar invested in GAO.

–GAO also identified 1,280 other benefits—those that cannot be measured in dollars, but led to program and operational improvements across the government.

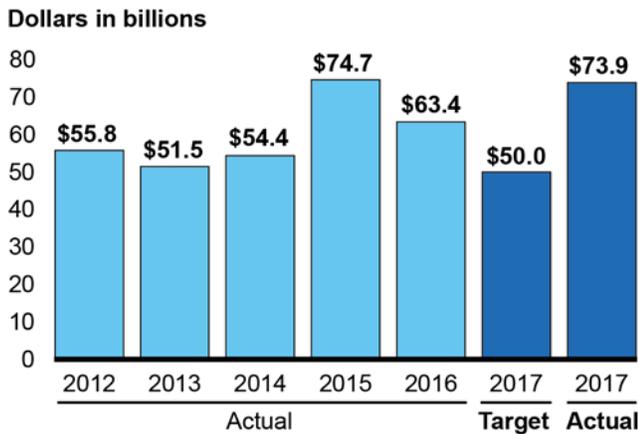
–GAO reported on 34 areas designated as high-risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement or because they face economy, efficiency, or effectiveness challenges. This work resulted in 154 reports, 43 testimonies, \$42.2 billion in financial benefits, and 519 other benefits.

–GAO received requests for work from 92 percent of the standing committees of the Congress and 40 percent of their subcommittees.

–Senior GAO officials were asked to testify 99 times on a wide range of issues that touched virtually all major federal agencies.

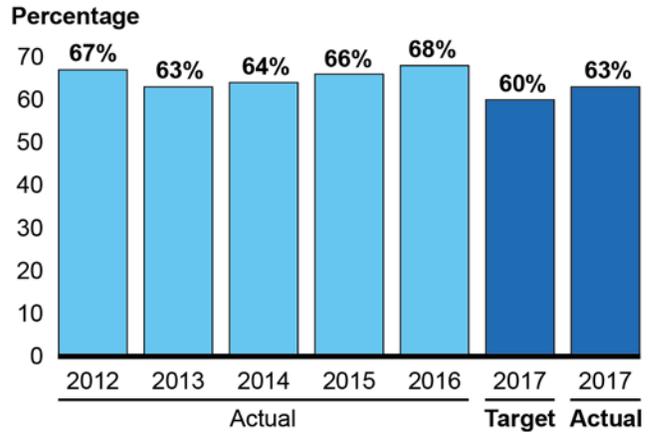
–GAO also remained an employer of choice. In December 2016, the Partnership for Public Service ranked GAO as second among mid-size federal agencies (tied with the Peace Corps) as one of the best places to work in the federal government, and first for its diversity efforts.

Figure 1: Financial Benefits GAO Recorded



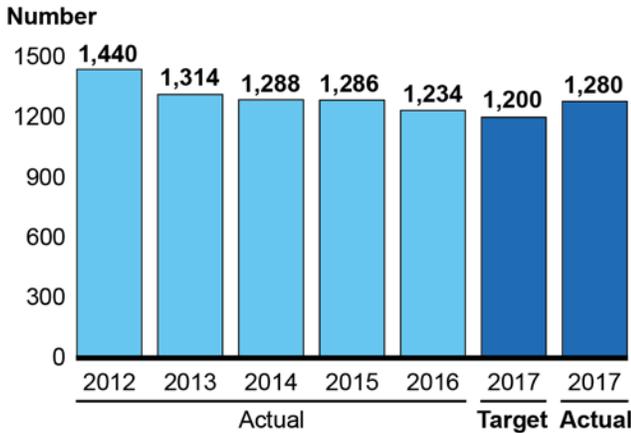
Source: GAO. | GAO-18-2SP

Figure 4: Percentage of New Products with Recommendations



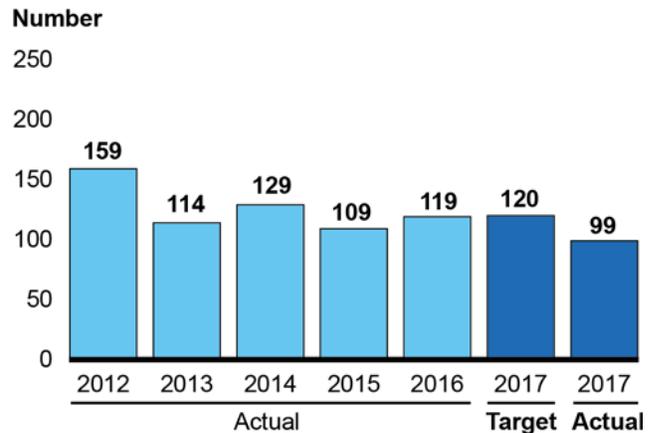
Source: GAO. | GAO-18-2SP

Figure 2: Other Benefits



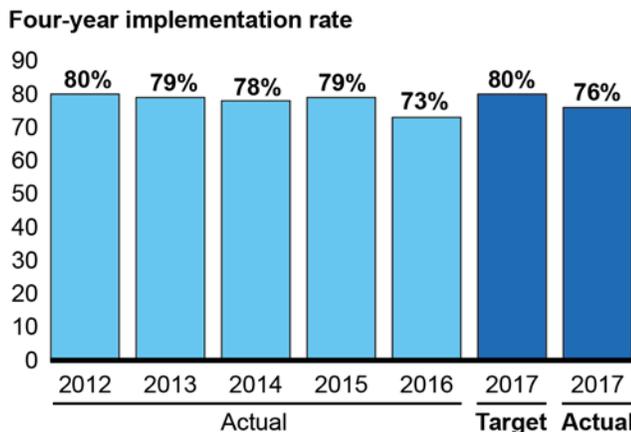
Source: GAO. | GAO-18-2SP

Figure 5: Testimonies



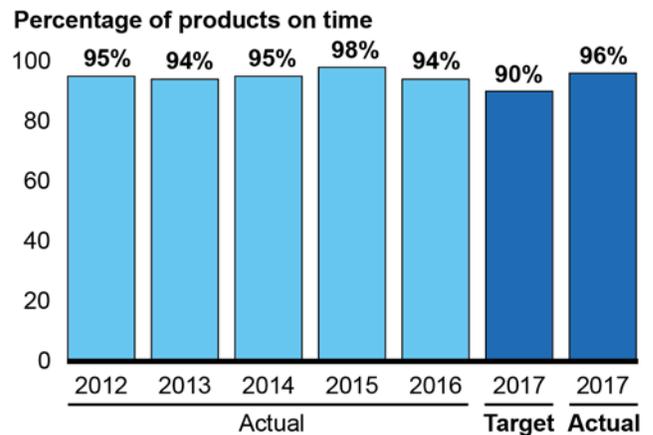
Source: GAO. | GAO-18-2SP

Figure 3: Percentage of Past Recommendations Implemented



Source: GAO. | GAO-18-2SP

Figure 6: Timeliness



Source: GAO. | GAO-18-2SP

Note: See [Part V](#) for 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.

**Figure 7: Financial Snapshot
(Dollars in millions)**

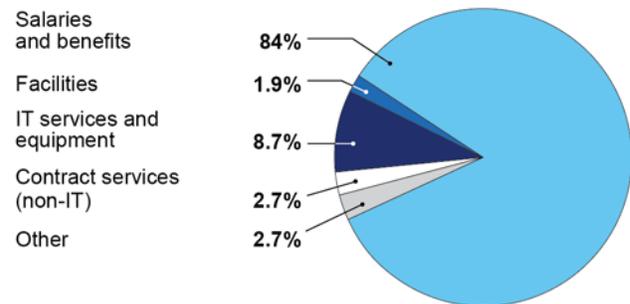
Fiscal year 2017

| | |
|--|---------|
| Clean opinion on financial statements | Yes |
| Clean opinion on internal control over financial reporting | Yes |
| Timely financial reporting | Yes |
| Material weaknesses | None |
| Total assets | \$106.1 |
| Total liabilities | \$78.8 |

Source: GAO. | GAO-18-2SP

Figure 8: Use of Fiscal Year 2017 Funds by Category

Percentage of total net costs



Source: GAO. | GAO-18-2SP

Table 1: GAO's Financial Highlights: Resource Information (Dollars in millions)

| | Fiscal Year 2017 | Fiscal Year 2016 |
|--|------------------|------------------|
| Total budgetary resources | \$617.3 | \$594.1 |
| Total outlays | \$576.7 | \$557.8 |
| Net Cost of Operations | | |
| Goal 1: Well-being / Financial Security of American People | \$221.2 | \$215.1 |
| Goal 2: Changing Security Threats / Challenges of Global Interdependence | 152.2 | 156.6 |
| Goal 3: Transforming the Federal Government's Role | 148.3 | 143.9 |
| Goal 4: Maximize the Value of GAO | 15.2 | 17.6 |
| Other Costs in Support of the Congress | 32.6 | 32.9 |
| Reimbursable services not attributable to above cost by goal categories | (10.3) | (9.7) |
| Total Net Cost of Operations | \$559.2 | \$556.4 |
| Actual full-time equivalents (FTE) | 2,994 | 2,983 |

Source: GAO. | GAO-18-2SP

More information on GAO's performance is included in [Part I](#) and [Part II](#) of this report. Detailed information on GAO's financials are included in [Part III](#). [Part V](#) provides details on how we set and calculate our performance measures.



Source: GAO. | GAO-18-2SP

What's Next? Future Challenges and Priorities

The Congress and administration face serious economic, security, and social challenges that will require difficult policy choices in the short term about the level of federal spending and investments, as well as ways to obtain needed resources. A broader fiscal plan is also needed to put the nation on a sustainable long-term fiscal path. Such a plan will require policymakers to consider changes to the entire range of federal activities and spending.

The Congress and executive branch agencies have opportunities in the near-term to improve the government's fiscal condition.

Addressing Improper Payments: Reducing payments that should not have been made or that were made in an incorrect amount, could yield significant savings. The improper payments estimate in fiscal year 2016 was over \$144 billion. Since fiscal year 2003, cumulative estimates have totaled over \$1.2 trillion.

Improving the Efficiency and Effectiveness of Government Operations: GAO has identified government operations that are at high risk of fraud, waste, abuse, and mismanagement and has presented numerous areas to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings;

or enhance revenue. Fully addressing the issues raised could yield increased savings, better services to the public, and improved federal programs.

Using Multiple Strategies to Address the Persistent Tax Gap: Reducing the gap between taxes owed and those paid on time could increase tax collections by billions. Most recently, in 2016, the annual gross tax gap was estimated to be \$458 billion.

Improving Information on Programs and Fiscal Operations: Decision making could be improved by ensuring the government's financial statements are fully auditable, increasing attention to tax expenditures, and effectively implementing the Digital Accountability and Transparency Act of 2014 (DATA Act).

In 2018 and beyond, GAO looks forward to continuing its work to identify options for the Congress in addressing the nation's most important challenges, including the nation's short-term and long-term financing needs, among other pressing matters.



Source: Photo Disc/Getty Images

TABLE OF CONTENTS

| | | | |
|--|----|--|-----|
| A Fiscal Year 2017 Performance and Financial Snapshot for the American Taxpayer | i | Strategic Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence | 71 |
| Contents | v | Financial Benefits | 73 |
| How to Use This Report | vi | Other Benefits..... | 73 |
| Introduction | 1 | Testimonies..... | 73 |
| From the Comptroller General | 2 | Strategic Goal 3: Help Transform the Federal Government to Address National Challenges | 79 |
| Management Assurance Statements | 7 | Financial Benefits | 81 |
| About GAO..... | 9 | Other Benefits..... | 81 |
| Mission | 10 | Testimonies..... | 81 |
| Strategic Goals | 10 | Strategic Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and by Being a Leading Practices Federal Agency | 85 |
| Organizational Structure | 10 | Part III: Financial Information | 91 |
| Our Strategic Plan..... | 13 | From the Chief Financial Officer | 91 |
| How We Measure Our Performance..... | 17 | Audit Advisory Committee’s Report | 94 |
| Setting Performance Targets | 19 | Independent Auditor’s Report | 95 |
| Part I: Management’s Discussion and Analysis | 21 | Purpose of Each Financial Statement..... | 100 |
| Assisting the Congress and Benefiting the Nation During Challenging Times | 21 | Notes to Financial Statements..... | 105 |
| Overall Performance Toward Our Goals..... | 22 | Required Supplementary Information | 117 |
| Other Ways GAO Served the Congress and the American People..... | 46 | Part IV: Inspector General’s View of GAO’s Management Challenges | 119 |
| Strategic Planning and Partnerships | 49 | Inspector General’s Statement | 120 |
| Managing Our Resources..... | 52 | Part V: Appendixes | 121 |
| Management Challenges..... | 57 | Appendix I: Abbreviations | 122 |
| Part II: Performance Information | 62 | Appendix II: Data Quality..... | 125 |
| Performance Information by Strategic Goal | 62 | Verifying and Validating Performance Data ... | 125 |
| Strategic Goal 1: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People..... | 63 | Image Sources | 134 |
| Financial Benefits | 65 | Providing Comments on This Report | 134 |
| Other Benefits..... | 65 | Obtaining Copies of GAO Documents | 134 |
| Testimonies..... | 65 | Connect with GAO | 134 |

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How to Use This Report

This report describes for the Congress and the American taxpayer the U.S. Government Accountability Office's performance measures, results, and accountability processes for fiscal year 2017 (October 1, 2016 through September 30, 2017). 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 2017. 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 2017 and the targets we are

aiming for in fiscal year 2018. It also includes a summary of our program evaluation for fiscal year 2017.

Financial Information

This section includes details on our finances in fiscal year 2017, 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.

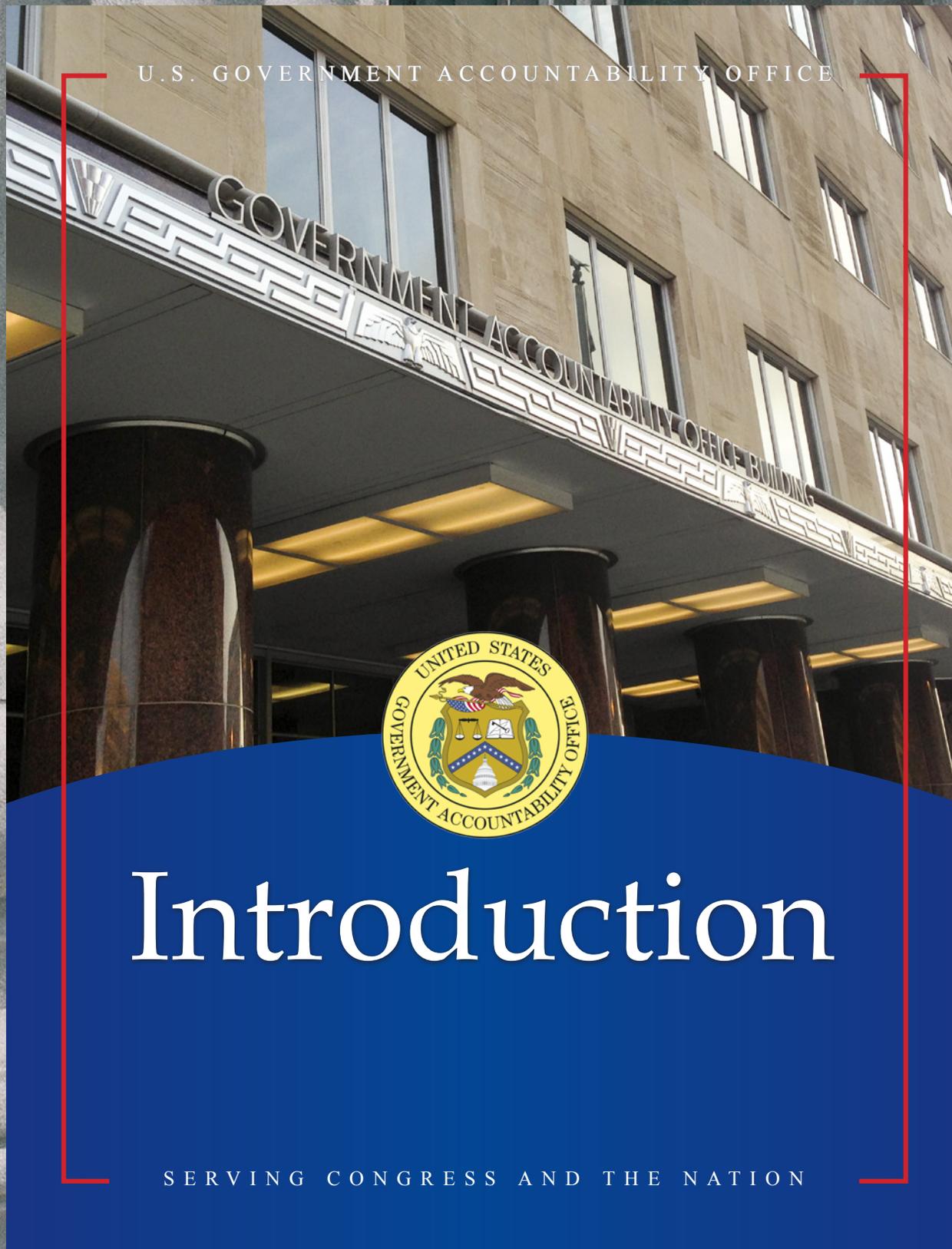
Inspector General's View of GAO's Management Challenges

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.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE



Introduction

SERVING CONGRESS AND THE NATION



Source: GAO. | GAO-18-2SP

From the Comptroller General

November 15, 2017

I am pleased to present GAO's Performance and Accountability Report for fiscal year 2017. GAO's 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. Our results for fiscal year 2017 continue to demonstrate an unwavering commitment to our role as the federal government's watchdog.

Financial Benefits: In fiscal year 2017, we documented \$73.9 billion in financial benefits for the government—a return of about \$128 for every dollar invested in us. Examples of our work that contributed to these benefits included (1) improving the Department of Defense's (DOD) processes for acquiring weapon systems (\$36.0 billion); (2) auctioning of the broadcast television spectrum by the Federal Communications Commission (\$7.3 billion); and (3) reducing the amount TRICARE pays for compounded drugs (\$1.9 billion).

Legislative Impacts: In fiscal year 2017, the Congress used GAO's work extensively to make many significant legislative decisions. Examples linked directly to GAO's work include:

- The Consolidated Appropriations Act, 2017: Based on GAO's work, the Congress directed
 - the Census Bureau to improve its cost estimate for the 2020 Census;
 - the Internal Revenue Service (IRS) to develop a plan with specific goals, strategies, and resources to address gaps between desired and actual customer service performance;
 - the General Services Administration to better account for federal property;

- the Department of Labor to finalize and implement regulations to speed implementation of the Workforce Innovation and Opportunity Act;
 - DOD to (1) clarify the content, scope, phases of development and capability of Joint Strike Fighter components and (2) report on the cost, schedule, and obligations of the Defense Healthcare Systems Modernization program;
 - agencies to implement our recommendations to address deficiencies in information technology (IT) systems, including IRS and the Federal Emergency Management Agency (FEMA);
 - the Customs and Border Protection to record the time unaccompanied children are in custody and care provided; and to register, track, and analyze complaints for trends;
 - the Department of State (State) to update the Congress on its efforts to contain costs, assess risks, and use strategic planning for overseas facilities, such as embassies; and
 - the Department of the Interior (Interior) to ensure the Bureau of Indian Education’s schools and facilities are well managed and comply with federal laws and regulations.
- The National Defense Authorization Act for Fiscal Year 2017: Reflecting our past work, the Congress required DOD to
 - improve reporting on the volume and types of defense services acquired, control costs, enhance access to supply chains, and take steps to reduce acquisition risks;
 - report on rebuilding military readiness—comprehensive readiness goals, strategies for implementation, progress metrics, and other best practices; and
 - improve its prevention of and response to hazing in the Armed Forces.

In addition, the Authorization Act required the DOD Inspector General to (1) prescribe uniform standards for investigating allegations of prohibited personnel practices and (2) train investigators.

- The Federal Bureau of Investigation (FBI) Whistleblower Protection Enhancement Act of 2016 (December): Based on GAO’s work, the Congress gave FBI employees a way to obtain corrective action for retaliation when they disclose wrongdoing to their supervisors.
- The Program Management Improvement Accountability Act: Elevates agencies’ attention to GAO’s High-Risk List, by requiring the Office of Management and Budget (OMB) to (1) review agencies’ portfolios; (2) create an interagency forum to review programs on this list and recommend improvements; and (3) have GAO review the effectiveness of these efforts.

Other Benefits: Many other benefits resulting from our work cannot be measured in dollars but lead to program and operational improvements. In fiscal year 2017, we recorded 1,280 of these other benefits. For example, our work on public safety and security

- led the Congress to give (1) railroads more time to implement Positive Train Control—a system designed to prevent certain types of accidents—due to numerous challenges and (2) the Federal Railroad Administration more authority over railroad safety;

- led the Nuclear Regulatory Commission to tighten its controls on licensing for possession of radioactive materials when, in one of our tests, investigators secured agreements to buy devices that, together, contained a dangerous quantity of material;
- led FEMA to better prepare for its future disaster response activities by developing (1) a plan to finance equipment for its urban search and rescue task forces and (2) a process to apply lessons learned from its incident management assistance teams; and
- led the Food and Drug Administration to issue a final rule requiring drug companies to report data on the sale and distribution of antibiotics for use in food animals.

Similarly, our work related to vulnerable populations

- led the Department of Health and Human Services (HHS) to issue a strategy addressing the use of opioids such as heroin and prescription pain medications during pregnancy, which can lead to newborns having a condition called Neonatal Abstinence Syndrome;
- led the Veterans Administration to improve its oversight and process for providing veterans newly enrolled in its health care system with timely access to primary care appointments;
- prompted the Senate to introduce legislation to protect older Americans with unpaid student loans from falling below the poverty guideline, when their Social Security benefits are reduced to repay this debt; and
- led several agencies, including the Departments of Homeland Security, the Interior, and State, to better protect contractor employees against reprisal, when they identify fraud, waste, abuse, or mismanagement.

Furthermore, our work in the area of agency operations

- led DOD to establish categories for prioritizing its more than 83,000 missing persons cases from military conflicts since World War II, based on the feasibility of recovery;
- prompted the Social Security Administration to not provide increases in monthly disability insurance benefit payments until it had determined if individuals' earnings required changes in benefits—preventing overpayments to about 4,300 beneficiaries in 2016;
- prompted DOD to strengthen its oversight of equipment provided to Iraq's security forces by developing new procedures for recording equipment transfer dates and making other planned changes to improve accountability; and
- led OMB and the Department of the Treasury to improve the DATA Act's implementation by clarifying requirements, using implementation plans, and documenting procedures.

Building Bodies of Knowledge: Through the products we issued in fiscal year 2017, we continued to build on bodies of work to address 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. Examples include:

- **Protection of children.** We reported on the (1) federal support for pediatric trauma care centers—used to treat children with potentially life-threatening or disabling injuries; (2) federal support for states to oversee the use of psychotropic medications for children in foster care; and (3) federal coordination on early learning and childcare.
- **Veterans.** We reported on the need to improve (1) management of veterans’ health care, (2) protections for veterans against financial exploitation; and (3) the Department of Veterans Affairs’ use of vacant and underutilized property to house homeless veterans.
- **Health care.** We reported on the (1) actions needed to prevent illegal drug use, such as opioids; (2) federal efforts to position the physician workforce to meet current and future demands; and (3) need to harmonize federal and state rules to better protect Medicaid beneficiaries receiving personal care services.
- **Science and technology.** We reported on (1) the Internet of Things (IoT)—smart technologies and devices that sense information and communicate it to the Internet or other networks—offering new benefits and potential risks to IT, privacy, and safety; and (2) medical device technologies designed to rapidly diagnose infectious diseases.
- **High-risk areas.** We issued the biennial update of our high-risk report to focus attention on government operations that are highly vulnerable to fraud, waste, abuse and mismanagement or need transformation. It offers solutions to 34 high-risk problems, including three new areas—federal Indian education, health, and energy programs; federal environmental liabilities; and the 2020 Census. In 2017, this work resulted in 154 reports, 43 testimonies, \$42.2 billion in financial benefits, and 519 other benefits.
- **Fragmentation, overlap, and duplication.** Our seventh annual report identified 79 new actions across 29 new areas that could reduce fragmentation, overlap, and duplication, or provide other cost savings and revenue enhancement opportunities across the federal government. Actions taken by the Congress and executive branch agencies to address the 645 actions government-wide we identified from 2011 to 2016, have led to about \$136 billion in financial benefits—\$75 billion to date, with \$61 billion more expected.

Serving Our Clients

In fiscal year 2017, we received 739 requests for work from 92 percent of the standing committees of the Congress—supporting a broad range of congressional interests. We issued 658 reports and made 1,414 new recommendations. Our senior executives were asked to testify 99 times before 45 separate committees or subcommittees on topics including the nation’s fiscal health; Navy readiness; preventing high-risk travelers from boarding U.S. bound flights; and improving the response to Zika virus outbreaks.

I continued my regular meetings with the Chairs and Ranking Members of congressional committees and subcommittees to obtain their views on GAO’s work, including their priorities, and to discuss opportunities and challenges facing GAO. My testimonies continued to underscore the importance of implementing GAO’s recommendations to strengthen the government’s performance and yield financial benefits. I also sent letters to the heads of most federal departments to acknowledge the actions taken to date to implement our prior recommendations and to draw their attention to priority recommendations still requiring their attention. These letters were also sent to the congressional committees of jurisdiction to inform their oversight.

Supporting Our People

The hard work and dedication of our diverse and professional multidisciplinary staff positioned GAO to achieve a 96 percent on-time delivery of our products in fiscal year 2017. Our performance this year also indicates that staff received the support needed to produce high-quality work. We exceeded the targets for our seven people measures—new hire rate, retention rates with and without retirements, staff development, staff utilization, effective leadership by supervisors, and organizational climate. GAO also continued its distinction as a best place to work in the federal government, ranking second among mid-size federal agencies and first for supporting diversity by the Partnership for Public Service.

Managing Our Internal Operations

In fiscal year 2017, we continued efforts to support our fourth strategic goal—to maximize our value by enabling quality, timely service to the Congress and being a leading practices federal agency. We made progress addressing our three internal management challenges—human capital management, engagement efficiency, and information security. We hired staff to fill 175 positions and reached 2,994 full-time equivalents—moving closer to our optimal level of 3,250. To enhance engagement efficiency, we fully transitioned to an updated engagement management process and new management system. For information security, we analyzed our management of personally identifiable information using new OMB guidance and leading practices.

This fiscal year, we made significant contributions to the domestic and international auditing community—playing a lead role in ten domestic audit forums and providing a wide range of assistance to our international counterparts. Our Center for Audit Excellence helped 15 domestic and international audit organizations build their audit capacity through training and other services. Our Office of General Counsel created an electronic bid protest application, handled about 2,600 bid protests, issued over 500 decisions on the merits, and issued the third chapter of the fourth edition of *Principles of Federal Appropriations Law*.

We again received from independent auditors an unmodified or “clean” opinion on our financial statements for fiscal year 2017 and our internal control over financial reporting. Our most recent external peer review conducted by a team of international auditors also resulted in a clean opinion on the effectiveness and appropriateness of our quality assurance framework. We have demonstrated that the detailed performance and financial information in this report is complete and reliable and meets our high standards for accuracy and transparency.

In fiscal year 2018 and beyond, we look forward to continuing to serve the Congress and the public on issues affecting the lives of all Americans.



Gene L. Dodaro
Comptroller General
of the United States



Government Accountability Office

Source: GAO. | GAO-18-2SP

Management Assurance Statements

November 15, 2017

Assurance Statement on Internal Control over Operations, Reporting, and Compliance

GAO management is responsible for managing risks and maintaining effective internal control to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). These are objectives that we set for ourselves even though, as part of the legislative branch of the federal government, GAO is not subject to the FMFIA. GAO conducted its assessment of risk and internal control consistent with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, GAO can provide reasonable assurance that internal control over operations, reporting, and compliance as of September 30, 2017, was operating effectively and that no material weaknesses were found in the design or operation of internal controls.

Assurance Statement on Internal Control over Financial Reporting

GAO'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 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 provisions of applicable laws (including laws governing the use of budget authority); regulations; contracts; and grant agreements, noncompliance with which could have a material effect on the financial statements.

GAO conducted its assessment of the effectiveness of internal control over financial reporting consistent with Appendix A of OMB Circular No. A-123, *Internal Control Over Financial Reporting*. Based on the results of this evaluation, GAO can provide reasonable assurance that its internal control over financial reporting as of September 30, 2017, was operating effectively and that no material weaknesses were found in the design or operation of internal control over financial reporting.

Assurance Statement on Financial Management Systems

GAO conducted reviews of its financial management systems consistent with Appendix D of OMB Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)*. We conduct these reviews even though, as part of the legislative branch of the federal government, GAO is not subject to the FFMIA. Based on the results of these reviews, GAO can provide reasonable assurance that it has implemented and maintained financial management 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 consistent with the requirements of the FFMIA.



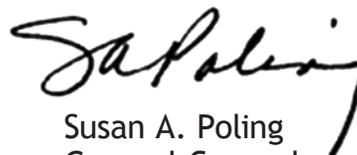
Gene L. Dodaro
Comptroller General
of the United States



Karl J. Maschino
Chief Administrative Officer/
Chief Financial Officer



William L. Anderson
Controller



Susan A. Poling
General Counsel



Source: GAO. | GAO-18-2SP

About GAO

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); the Government Performance and Results Act (GPRA), as amended; and the Federal Information Security Management Act (FISMA). Accordingly, this performance and accountability report for fiscal year 2017 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

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 also 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.

fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.¹

Mission

Our mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. The strategies and means that we use to accomplish this mission are described in the following pages. In short, we provide objective and reliable information and analysis to the Congress, to federal agencies, and to the public, and we recommend improvements 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 along with our mission and scope of work.

Strategic Goals

GAO has three externally focused goals and one internally focused goal. These include:

- Goal 1: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People
- Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence

¹FMFIA 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. Pub. L. No. 97-255, 96 Stat. 814 (Sept. 8, 1982), codified at 31 U.S.C. § 3512. 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. Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993). The GPRA Modernization Act of 2010 incorporates additional requirements for reporting and transparency. Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011). FISMA requires federal agencies to implement policies and procedures to cost-effectively reduce information technology risks. Pub. L. No. 107-347, title III, 116 Stat. 2899, 2946 (Dec. 17, 2002).

- Goal 3 : Help Transform the Federal Government to Address National Challenges
- Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and by Being a Leading Practices Federal Agency

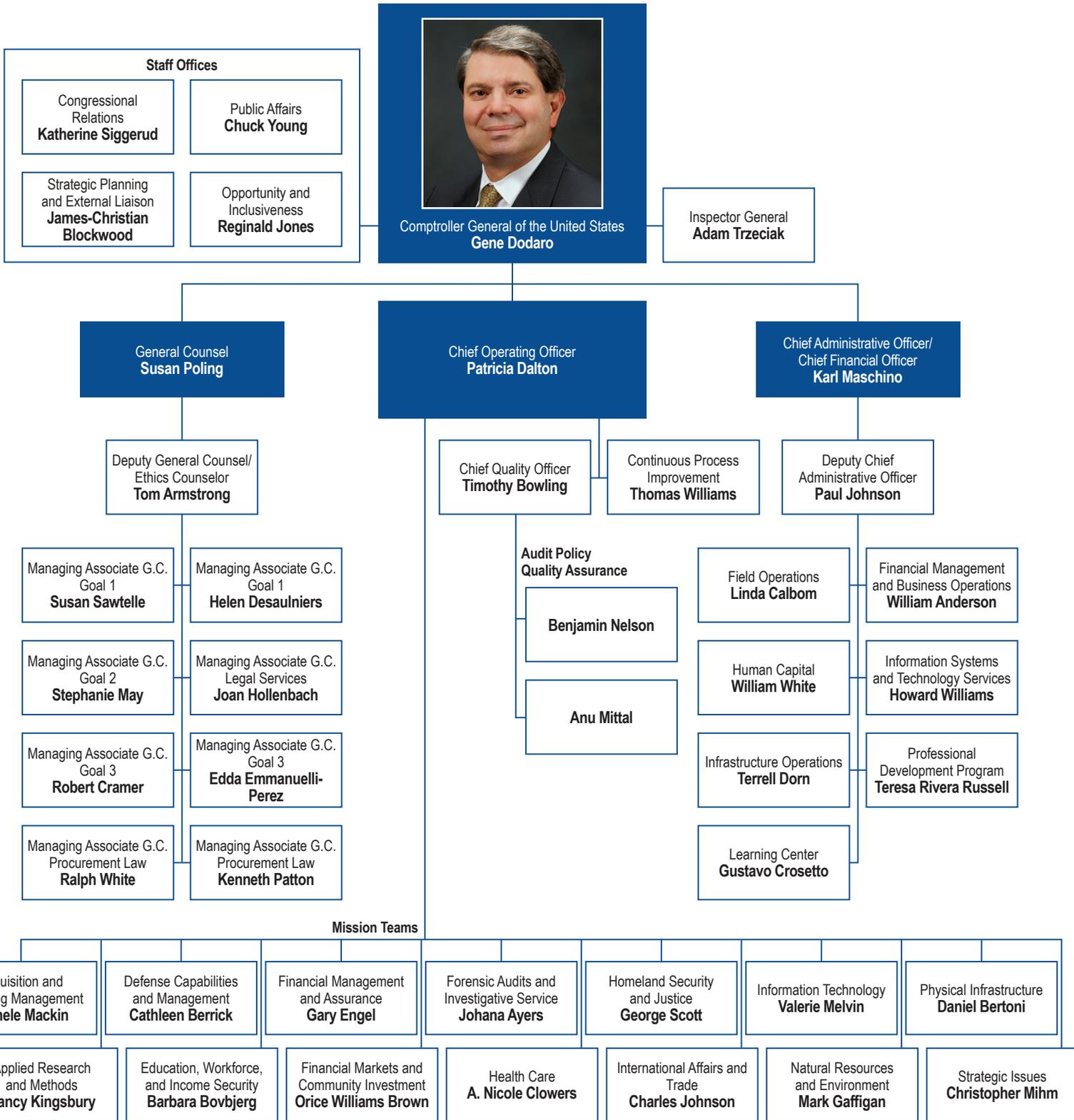
For additional information see [Part II](#) of this report and [GAO's Strategic Plan](#).

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 (see [fig. 9](#)).

To achieve our mission, our staff is organized primarily into 14 evaluation, audit, research, and investigative teams that support our three external strategic goals—with several of the teams supporting more than one strategic goal. For example, our 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; they are assisted by staff in our Office of General Counsel.

Figure 9: Organizational Structure



Legend:
 The Executive Committee

Note: Everyone listed on this table, other than the Comptroller General, is a Senior Executive Service (SES) level manager. Also, with the exception of the Comptroller General of the United States, the Chief Operating Officer, the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Inspector General, the General Counsel, the Deputy General Counsel, the Chief Quality Officer, the Chief Information Officer, and the Chief Human Capital Officer, the SES managers are titled "Managing Director."

Senior executives in the teams manage a portfolio of engagements to ensure that we quickly meet the Congress's need for independent and unbiased information on emerging issues, while continuing 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 in greater detail 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.

The Office of the 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 the Office of the General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work, including fulfilling our responsibility to ensure the legal sufficiency of all GAO products; and (2) produce legal decisions and opinions on behalf of the Comptroller General. Specifically, the legal groups that support our three external goals 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 our one internal strategic goal (Goal 4), 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, 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. As previously mentioned, attorneys in the General Counsel's office, primarily in the Legal Services group, provide legal support for Goal 4.

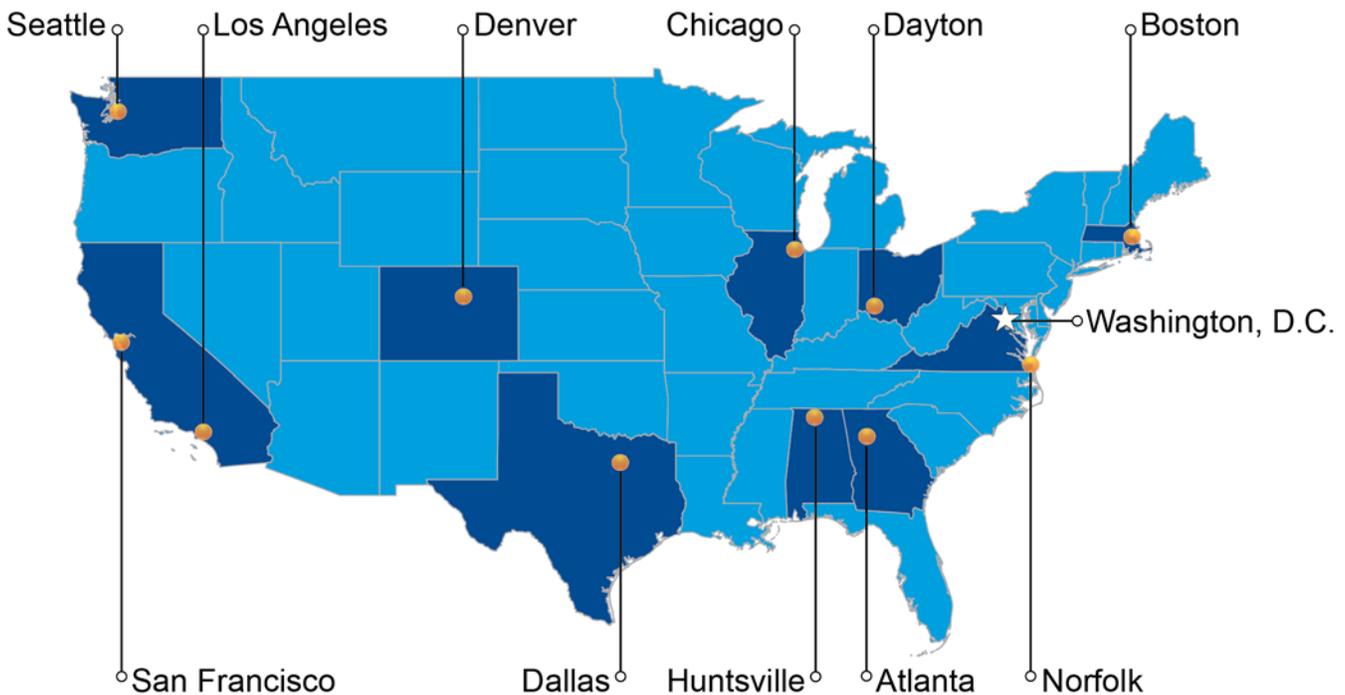
In September 2008, the Government Accountability Office Act of 2008 established the Office of Inspector General (OIG) as a statutory office within the agency. The Inspector General (IG) is appointed by, and reports to, the Comptroller General. The IG is responsible for conducting audits and investigations relating to the administration of GAO programs and operations and for making recommendations to promote the agency's economy, efficiency, and effectiveness. The IG also keeps the Comptroller General and the Congress fully informed through semiannual reports that summarize the IG's findings. In addition,

the IG investigates allegations concerning activities within GAO that may constitute the violation of any law, rule, or regulation; mismanagement; 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. Seventy-one 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. 10](#)). 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 10: GAO's Office Locations



Source: Map Resources (map). | GAO-18-2SP

Our Strategic Plan

In February 2014, we issued our most recent [strategic plan](#) for fiscal years 2014 through 2019—the plan describes our proposed goals and strategies for supporting the Congress and the nation and identifying seven broad trends that provide context for the plan. These seven trends are discussed in greater detail in our [strategic plan](#) on our website (<http://www.gao.gov/about/stratplanning.html>). 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. See [figure 11](#) for the seven trends shaping the United States and its place in the world.

Our [strategic plan](#) is based on a four-tiered hierarchy—four strategic goals (the highest tier) followed by strategic objectives, performance goals, and key efforts. Each strategic goal comprises 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 on the next page provides an example from one of our strategic goals.

Our audit and investigative work is aligned primarily under the first three strategic goals in our plan, which span domestic and international issues affecting the lives of all Americans. Our fourth strategic goal is focused on improving our internal operations. See [figure 11](#) for our strategic plan framework. Our [strategic plan](#) is the blueprint that lays 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. We will issue the next update to our [strategic plan](#) in 2018.

An Example of Our Four-Tiered Strategic Planning Process

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

Strategic Objective 2.2: Effectively and Efficiently Utilize Resources for Military Capabilities and Readiness

Performance Goal 2.2.2: Assess DOD's efforts to secure the homeland and respond to emerging threats and irregular warfare

Key Efforts:

- Evaluate DOD's role and collaboration in homeland security.
- Assess DOD's preparedness for emerging threats and irregular warfare, including cyber, chemical, biological, radiological, and nuclear attacks from nonstate actors.
- Assess DOD's protection of its forces, critical and cyber infrastructure, and assets worldwide.
- Evaluate DOD's efforts to improve and integrate command, control, communications, computers, intelligence, surveillance, and reconnaissance.

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 cross-cutting 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 externally focused 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 these three goals, we develop and deliver 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;

Figure 11: 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 |
|--------------------------|---|------------------------|-------------------------------|---|-------------------------------------|----------------------------------|

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

CORE VALUES

| | | |
|-----------------------|------------------|--------------------|
| Accountability | Integrity | Reliability |
|-----------------------|------------------|--------------------|

Source: GAO. | GAO-18-2SP

- 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 2017, we devoted 96 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 4 percent of 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 DOD business transformation, oil and gas management, addressing improper payments under Medicaid, budget requests, and the federal, state, and local government fiscal outlooks.²

Our reviews of government programs and operations have identified those programs that are at high risk for fraud, waste, abuse, and mismanagement. These reviews help support our biennial high-risk report, which we updated this year. 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. The U.S. Government Auditing Standards, developed by the Comptroller General of the United States, together with 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. The information developed during our reviews is usually presented in products that are made available to the public. Over the past 5 years, we have issued, on average, about 753 products annually, primarily in an electronic format. In addition, we publish about 500 legal decisions and opinions annually. 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.

²GAO, State and Local Governments' Fiscal Outlook: 2016 Update, [GAO-17-213SP](#) (Washington, D.C.: Dec. 8, 2016).

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.³ 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.⁴ 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. Such special publications are valuable planning tools because they help us identify areas of focus on important policy and management issues facing the nation. Collectively, our products contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

Another means of ensuring that we are achieving our goals is 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 post our findings to a recommendations database, which is updated regularly and publicly available (<http://www.gao.gov/recommendations/>).

³GAO, Bid Protest Annual Report to Congress for Fiscal Year 2016, *GAO-17-314SP* (Washington, D.C.: Dec. 15, 2016).

⁴*Principles of Appropriations Law*, also known as the Red Book, is a multi-volume treatise concerning federal fiscal law available at <http://www.gao.gov/legal/red-book/overview>. *GAO-17-797SP* (Washington, D.C.: Sept. 14, 2017), *GAO-16-463SP* (Washington, D.C.: Mar. 10, 2016), *GAO-16-464SP* (Washington, D.C.: Mar. 10, 2016), *GAO-15-303SP* (Washington, D.C.: Mar. 12, 2015), *GAO-08-978SP* (Washington, D.C.: Sept. 1, 2008), *GAO-06-382SP* (Washington, D.C.: Feb. 1, 2006), *GAO-04-261SP* (Washington, D.C.: Jan. 1, 2004).

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 the national audit offices of other countries.

These types of strategic working relationships allow us to extend our institutional knowledge and experience, leverage our resources, and 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 federal agency, 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.

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 our timeliness in delivering products to the Congress and the number of times that our senior executives were asked to present expert testimony. We use an electronic client feedback form to

collect quantitative and qualitative data and information on the services we are providing to our congressional clients. We also set a target at the agency-wide level for the number of testimonies and then assign a portion of these testimonies 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 for 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 technology, 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 leave, 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. 125](#)) 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. 60](#)). 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.⁵ 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.

On the pages that follow, we assess our performance for fiscal year 2017 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.

⁵Our most current plan is available at <http://www.gao.gov/products/GAO-17-298SP> and [GAO-17-604T](http://www.gao.gov/products/GAO-17-604T)

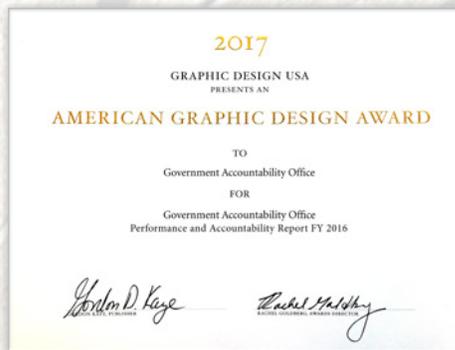
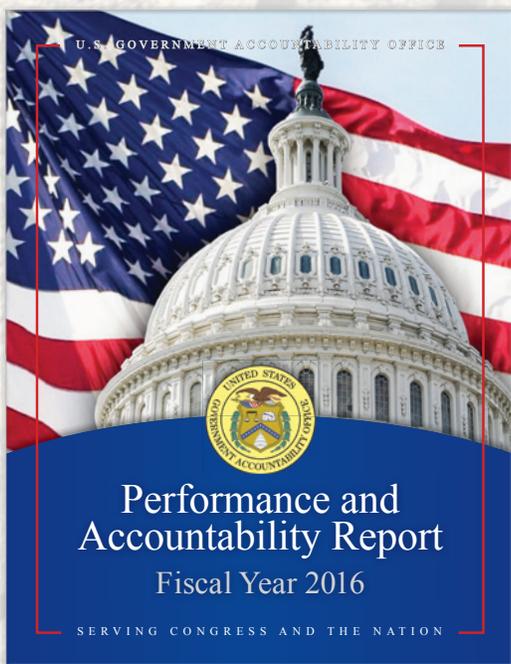
Figure 12: GAO's Performance and Accountability Report Awards

Awards

2016 CEAR Award, CEAR Best-in-Class Award, and 2017 American Graphic Design Award

Last year, the Association of Government Accountants awarded GAO (for the 16th consecutive year) its Certificate of Excellence in Accountability Reporting (CEAR) for our Performance and Accountability Report for fiscal year 2016. In 2016, we also received a CEAR Best-In-Class-Award for the most innovative drill-down linkages.

In fiscal year 2017, we also received the American Graphic Design Award for our Performance and Accountability Report for fiscal year 2016 from Graphic Design USA.



Source: GAO. | GAO-18-2SP

Part I

Management's Discussion and Analysis



Source: GAO. | GAO-18-2SP

Assisting the Congress and Benefiting the Nation During Challenging Times

In fiscal year 2017, demand for our work was high with 739 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

- Results
- Client
- People
- Internal Operations

Other Ways GAO Served the Congress and the American People

- GAO's High-Risk Program

- Opportunities to Reduce Fragmentation, Overlap, and Duplication, and Achieve Other Financial Benefits
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- General Counsel Decisions and Other Legal Work

Strategic Planning and Partnerships

Managing Our Resources

Management Challenges

Overall Performance Toward Our Goals

The results of our efforts are reflected in our solid performance in fiscal year 2017 (see [table 2](#)).

Results

We exceeded our target of \$50.0 billion in financial benefits by \$23.9 billion—reaching \$73.9 billion. This represents a \$128 return on every dollar the Congress invested in us. We also exceeded our target of 1,200 other benefits by 80 benefits, accomplishing 1,280 other benefits.

We fell short of our target of 80 percent for past recommendations implemented by 4 percentage points, at 76 percent. We will continue to take actions in 2018 to facilitate implementation of our recommendations.

We exceeded our target of 60 percent for new products with recommendations by 3 percentage points, with 63 percent of new products containing recommendations.

Client

Based on our congressional client survey, we exceeded our target of 90 percent for delivering our products and testimonies in a timely manner by 6 percentage points—reaching 96 percent on-time delivery for fiscal year 2017. Our senior executives were asked to testify 99 times, falling 21 testimonies short of our fiscal year 2017 target of 120. This was due, in part, to fewer than anticipated hearings being held, which is a factor not in our control. We were asked to testify before 45 separate committees or subcommittees on topics spanning most federal agencies.

People

We exceeded the targets for all of our people measures—retention rate with and without retirements, staff development, staff utilization, effective leadership by

supervisors, organizational climate, and new hire rate.

For retention rate with retirements, we exceeded the 92 percent target by 2 percentage points, at 94 percent. For retention rate without retirements, we exceeded the 96 percent target by 1 percentage point, at 97 percent. We also exceeded our target of 80 percent for staff development by 4 percentage points, at 84 percent. For staff utilization, we exceeded our target of 76 percent by 4 percentage points, at 80 percent. For effective leadership by supervisors, we exceeded our target of 82 percent by 2 percentage points, at 84 percent. For organizational climate, we reached 83 percent—exceeding our target of 76 percent by 7 percentage points. We fell short of our hiring target of 211 due to budget uncertainties, yet we recruited for and filled 175 critical positions; reached a new hire rate of 83 percent; and made strides toward meeting our optimal full-time equivalent staffing level of 3,250.

Internal Operations

We assessed staff satisfaction with our three internal operations measures for fiscal year 2017 through our internal customer satisfaction (CSAT) survey. In this survey, we measured how well our administrative services (e.g., travel support, counseling, building security, etc.) (1) help employees get their job done—we exceeded our target of 80 percent by 4 percentage points, at 84 percent and (2) improve quality of work life—we exceeded our target of 80 percent by 2 percentage points, at 82 percent. The survey also assesses how satisfied employees are with Information Technology (IT) Tools. We fell short of our goal of 80 percent by 6 percentage points, at 74 percent.

Table 2: Agency-wide Summary of Annual Measures and Targets

| Performance measure | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target | 2017 actual | Met/ not met | 2018 target |
|--|------------------|------------------|-------------|------------------|--------------------|-------------|-------------|--------------|-------------|
| Results | | | | | | | | | |
| Financial benefits (dollars in billions) | \$55.8 | \$51.5 | \$54.4 | \$74.7 | \$63.4 | \$50.0 | \$73.9 | Met | \$50.0 |
| Other benefits | 1,440 | 1,314 | 1,288 | 1,286 | 1,234 | 1,200 | 1,280 | Met | 1,200 |
| Past recommendations implemented | 80% | 79% | 78% | 79% ^e | 73% | 80% | 76% | Not met | 80% |
| New products with recommendations | 67% | 63% | 64% | 66% ^e | 68% | 60% | 63% | Met | 60% |
| Client | | | | | | | | | |
| Testimonies | 159 | 114 | 129 | 109 | 119 ^f | 120 | 99 | Not met | 120 |
| Timeliness | 95% | 94% | 95% | 98% | 94% | 90% | 96% | Met | 90% |
| People | | | | | | | | | |
| New hire rate | 76% | 66% | 88% | 83% | 81% | 80% | 83% | Met | 80% |
| Retention rate | | | | | | | | | |
| With retirements | 93% | 93% | 94% | 94% | 93% | 92% | 94% | Met | 92% |
| Without retirements | 96% | 96% | 97% | 96% | 96% | 96% | 97% | Met | 96% |
| Staff development | 80% | 80% | 83% | 84% | 83% | 80% | 84% | Met | 80% |
| Staff utilization | 76% | 75% | 77% | 79% | 79% | 76% | 80% | Met | 76% |
| Effective leadership by supervisors | 82% | 83% | 83% | 83% | 85% | 82% | 84% | Met | 82% |
| Organizational climate | 78% | 77% | 79% | 80% | 81% | 76% | 83% | Met | 76% |
| Internal operations | | | | | | | | | |
| Help get job done | N/A ^a | 82% | 82% | 80% | N/A ^{b,c} | 80% | 84% | Met | 80% |
| Quality of work life | N/A ^a | 78% | 78% | 78% | N/A ^{b,c} | 80% | 82% | Met | 80% |
| IT tools | N/A ^a | 68% ^d | 65% | 67% | N/A ^{b,c} | 80% | 74% | Not met | 80% |

Source: GAO. | GAO-18-2SP

Note: Information explaining all of the measures included in this table appears in the [Appendix on Data Quality](#).^aNo survey was conducted in calendar year 2012 (denoted by N/A).^bWe conducted the survey for these measures on a calendar year basis in 2016, and, therefore, do not have fiscal year-end results to report--denoted by N/A. For fiscal year 2017, the survey was conducted on a fiscal year basis.^cThe targets for all three categories in 2016 were 80 percent.^dIn 2013, we added the IT performance measure to better gauge and track satisfaction with GAO's IT services. In prior survey years, IT services were under another performance measures (years prior are denoted by N/A).^eIn 2015, we modified our methodology for past recommendations implemented and new products with recommendations to exclude Matters for Congressional Consideration (see [Appendix on Data Quality](#)).^fIn 2016, we modified our methodology for counting testimonies to include hearings where two separate statements are delivered on separate aspects of GAO's work (see [Appendix on Data Quality](#)).

Overall Performance toward Our Goals

Our fiscal year 2018 targets for all 16 of our performance measures are the same as the targets we reported in our fiscal year 2018 [performance plan](#) (issued in July 2017).

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 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 3](#) shows that our averages for financial benefits increased steadily from 2012 through 2014, increased sharply in 2015, increased slightly in 2016 and increased sharply in 2017. The average number of other benefits we recorded remained steady from 2012 to 2013, decreased slightly in 2014 and in 2015, decreased sharply in 2016 and decreased slightly in 2017. New products with recommendations have been very stable from 2012 through 2017. The average number of times our senior executives were asked to testify declined steadily from 2012 through 2016 and declined slightly in 2017.

We use several factors to set our annual testimonies target—the number of times we expect our senior executives to be asked 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, the Congress generally holds fewer hearings and, accordingly, we receive fewer requests for our senior executives to testify. We set our target at 120 testimonies for 2017, but fell short of this target by 21 testimonies. The general decline in the number of requests for GAO’s senior executives to testify in recent years mirrors the general decline in the number of oversight hearings held by the Congress. For 2018, we have maintained our target of 120 testimonies, which we consider a stretch goal, given the level of testimony requests in recent years.

Table 3: Four-Year Rolling Averages for Selected GAO Measures

| Performance measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| Results | | | | | | |
| Financial benefits (billions) | \$48.6 | \$50.7 | \$51.9 | \$59.1 | \$61.0 | \$66.6 |
| Other benefits | 1,359 | 1,358 | 1,340 | 1,332 | 1,281 | 1,272 |
| New products with recommendations | 66% | 65% | 66% | 65% | 65% | 65% |
| Client | | | | | | |
| Testimonies | 182 | 160 | 144 | 128 | 118 | 114 |

Source: GAO. | GAO-18-2SP

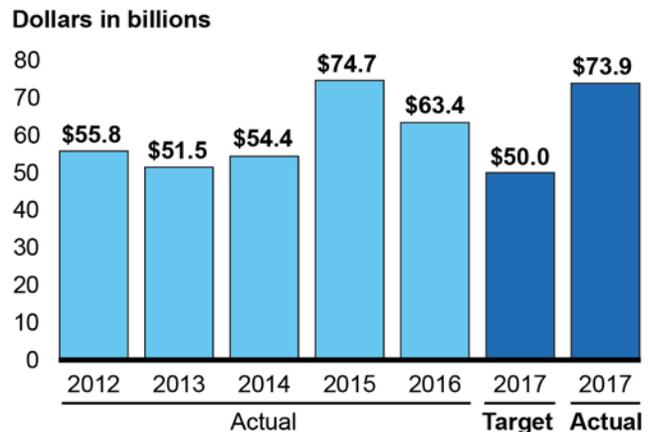


Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress or agencies act on them and government expenditures are reduced or funds are reallocated to other areas. For example, a 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 2017, our work generated about \$73.9 billion in financial benefits (see [fig. 13](#)). We exceeded our target by about 23.9 billion, primarily because of one unexpectedly large accomplishment of \$36 billion. In light of our performance in fiscal year 2017 and expected future financial benefits based on our past, ongoing, and expected work, we have set our 2018 target for financial benefits at \$50 billion. This is \$23.9 billion below our fiscal year 2017 performance because we are unsure of how many recommendations may be implemented in 2018.

Figure 13: Financial Benefits GAO Recorded



Source: GAO. | GAO-18-2SP

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 of 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 2017 was our third year of savings from expanding the risk-based element of the Pension Benefit Guaranty Corporation's premium rate structure. The revenue this generated will offset direct federal spending by \$1.26 billion for fiscal year 2017.

See [figure 14](#) for examples of new financial savings for fiscal year 2017.

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.

Figure 14: Examples of GAO's Major New Financial Benefits Reported in Fiscal Year 2017

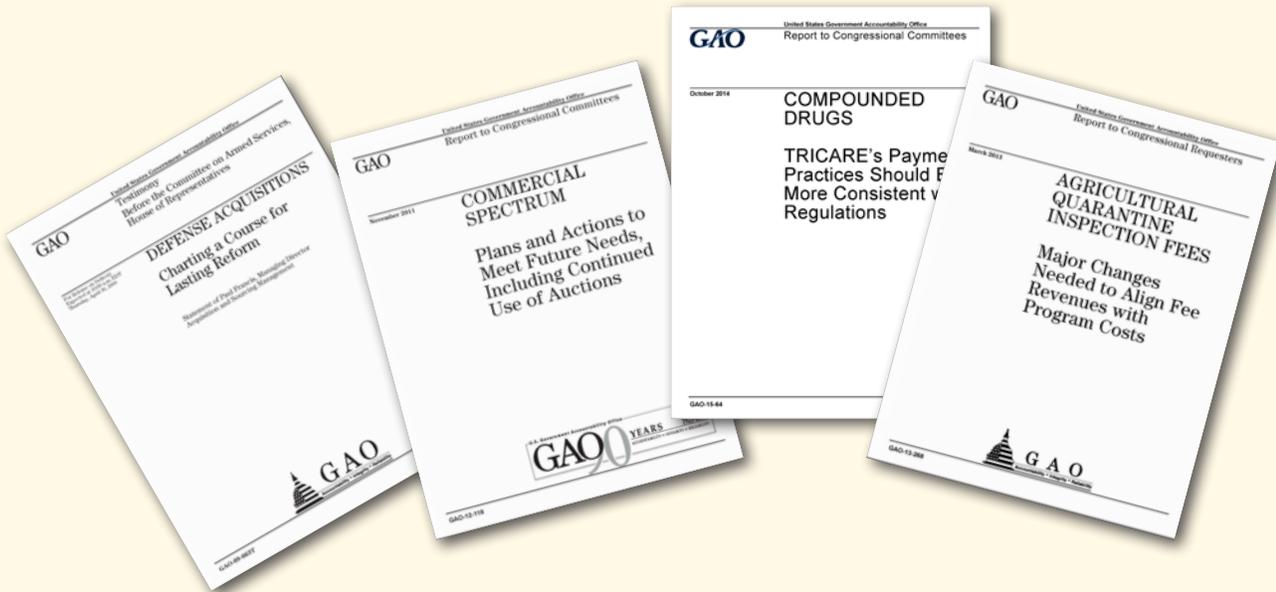
| Description of New Financial Benefits | Amount (Dollars in billions) |
|---|---------------------------------|
| <p>Cost Reductions in Weapon Systems Acquisitions. For nearly two decades our work has identified best practices that DOD could use to improve the way it develops and acquires weapon systems—our series of reports began in 1998. In 2006 and 2008, we found that DOD had taken positive steps by adopting a framework for applying best practices; however, these practices were not applied consistently and cost and schedule overruns persisted. Subsequently, the Weapon Systems Acquisition Reform Act of 2009 codified many of our related recommendations. In 2016, we found that (1) selected programs started after the act's implementation had less cost growth than those begun prior to the act and (2) the majority of more recent programs were using best practices we had long-recommended. We compared the cost growth of weapon systems development programs for a 5-year period after the act's implementation to the 10-year period prior to the act—estimating about a 75-percent reduction in the rate of cost growth. While it is not certain that the act's implementation was the sole reason for this reduction, it was the driving factor. As such, we are claiming \$36 billion in costs avoided. (GAO-09-431T, GAO-08-467SP, GAO-02-701, GAO-01-288, NSIAD-99-162, NSIAD-98-56)</p> | \$36.0 |
| <p>Extending the Federal Communications Commission's Auction Authority. The radio frequency spectrum—which is used for services such as mobile broadband—is a limited natural resource managed within the United States by the federal government. The Federal Communications Commission (FCC) conducts auctions to assign spectrum licenses. In 2011, we reported that experts and industry stakeholders largely supported extending FCC's auction authority, and recommended that the Congress consider doing so—which it did in 2012. An auction in March 2017 generated \$7.3 billion that will be used to reduce the federal deficit. Without auction authority, FCC would have had to use its prior methods to assign licenses—comparative hearings or lotteries—which do not generate revenue. (GAO-12-118)</p> | \$7.3 |
| <p>Reducing TRICARE Payments for Compounded Drugs. DOD offers health care and prescription drug coverage to those eligible through its TRICARE program. In 2014, we found that TRICARE paid for compounded drugs that should not have been covered because they included ingredients that were not generally approved by the Food and Drug Administration. We recommended that DOD align TRICARE's payment practices for these drugs with applicable regulations. In 2015, DOD established screening and prior authorization processes to ensure each ingredient in a compounded drug is covered by TRICARE before filling a prescription—avoiding costs of about \$1.9 billion over two years. (GAO-15-64)</p> | \$1.9 |

Aligning Agricultural Quarantine Inspection User Fees with Program Costs. The Animal and Plant Health Inspection Service (APHIS) Agricultural Quarantine Inspection (AQI) program inspects international passengers and cargo entering the country for prohibited agricultural material and pests. In 2013, we found that the program cost \$325 million more than it collected in user fees. We made several recommendations to better align the AQI fee structure with program costs. In response, APHIS issued a final rule in 2015 that did so. As a result, AQI fee collections are projected to increase by about \$582 million in total for fiscal years 2016 through 2020, so the program will rely less on annual appropriations to cover its costs. ([GAO-13-268](#))

\$0.6

Source: GAO. | GAO-18-2SP

Note: Additional examples of fiscal year 2017 financial benefits can be found in [Part II](#) of this report.



Source: GAO. | GAO-18-2SP

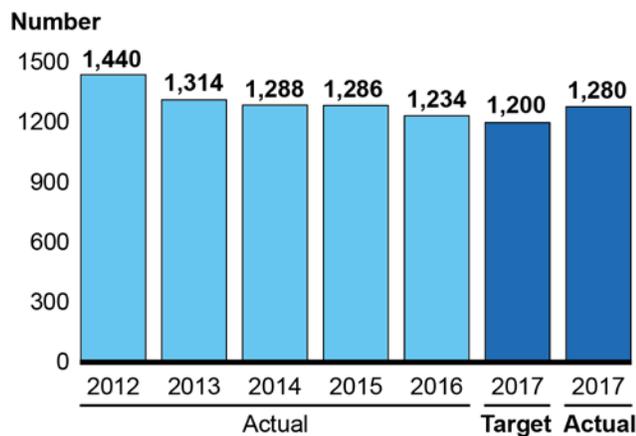


Source: GAO. | GAO-18-2SP

Other Benefits

Many of the benefits that result from our work cannot be measured in dollar terms, so we refer to them as “other benefits.” During fiscal year 2017, we recorded a total of 1,280 other benefits (see [fig. 15](#)). We exceeded our target by about 7 percent largely because of a number of accomplishments we documented for public safety and security and business process and management. We have set our 2018 target for these other benefits at 1,200 again given our past, ongoing, and expected work.

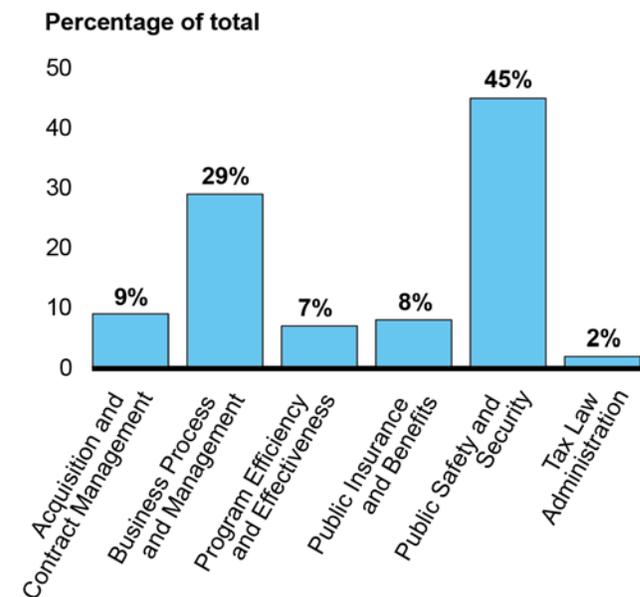
Figure 15: Other Benefits



Source: GAO. | GAO-18-2SP

We categorize our other benefits into six areas—similar to those on our High-Risk List (see [fig. 16](#)). This year, most of our other benefits were in public safety and security (45 percent) and business process and management (29 percent). See [Figure 17](#) and [Part II](#) of this report for specific examples.

Figure 16: Types of Fiscal Year 2017 Other Benefits



Source: GAO. | GAO-18-2SP

Examples of programs included in categories in [figure 16](#) are:

- **Public insurance and benefits.** Medicare, Medicaid, Department of Veterans Affairs and DOD health care, disability programs, food assistance, education 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 systems acquisition, National Aeronautics and Space Administration (NASA) 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 (USPS); transportation funding; and telecommunications funding.
- **Business process and management.** Federal financial reporting, 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 17: Examples of GAO's Other Benefits Reported in Fiscal Year 2017

| Category | Description |
|--------------------------------------|--|
| Public Insurance and Benefits | Streamlining Appeals Process for Veterans' Disability Claims. On average, veterans wait almost 5 years for the Board of Veterans' Appeals to resolve their disability claim decisions. Our 2017 report found that the Department of Veterans Affairs' (VA) plans for reducing wait times—through hiring, system upgrades, and process reform—were ambitious, fell short of sound practices, and risked longer wait times. We recommended ways for VA to address these issues, and that the Congress consider requiring VA to pilot test any process reforms. The Congress passed the Veterans Appeals Improvement and Modernization Act, which reflected our recommendations, authorized pilot testing and became law in August 2017. (GAO-17-234) |
| Public Safety and Security | Improving FEMA's Management of Disaster Response Activities. We made recommendations in 2015 and 2016 to help FEMA better manage future disaster response activities. In response, FEMA developed a plan for financing equipment for its urban search and rescue task forces; developed a process for implementing lessons learned from its incident management assistance teams; began accounting for costs and assessing performance of new FEMA Corps and Surge Capacity Force staff; established a performance appraisal system for its disaster employees; and enhanced national preparedness by improving communication between regional offices and Regional Advisory Councils. (GAO-16-87 , GAO-16-38 , GAO-15-437) |

| | |
|---|---|
| Acquisition and Contract Management | Strengthening DOD’s Leadership in Space System Acquisition. For over two decades, we and others have reported on fragmentation in DOD space acquisition management and oversight. In 2016, we reported that this fragmentation persisted, contributing to lengthy acquisitions and other problems. While these challenges are not limited to space system acquisitions, officials and experts told us that space technologies are often obsolete by deployment, magnifying the acquisition problems. In response, the Congress drafted fiscal year 2018 legislation that would make organizational changes within DOD aimed at streamlining its leadership and clarifying roles and responsibilities. (GAO-16-592R) |
| Tax Law Administration | Improving IRS’s Whistleblower Program. Tax whistleblowers can be awarded up to 30 percent of the revenue they help the IRS collect. IRS has collected more than \$2 billion through this program since fiscal year 2007. In 2015, we found that claiming and receiving awards was a lengthy process with limited communication, and that IRS sometimes miscalculated payments. We made many recommendations to improve the program. In response, IRS streamlined its claims process, strengthened procedures for calculating awards, and developed a fact sheet about the claim process. These changes should help encourage more whistleblowers to help IRS reduce the tax gap. (GAO-16-20) |
| Program Efficiency and Effectiveness | Collecting Better Data to Oversee Nonbank Mortgage Servicers. The Consumer Financial Protection Bureau (CFPB) helps ensure that nonbank servicers comply with federal laws on mortgage lending and consumer protection. In 2016, we found that CFPB did not have a way to identify all nonbank mortgage servicers, and recommended that it collect better data. In response, CFPB supplemented its data on nonbank servicers, increasing the number of servicers on its list from 160 to 1,050. As of January 2017, CFPB’s list covered about 87 percent of the mortgage servicing market (by unpaid principal balance). The new data will help CFPB better understand and respond to consumer risks related to nonbank mortgage servicers. (GAO-16-278) |
| Business Process and Management | Improving DOD’s Processes for Addressing Audit Readiness Deficiencies. In February 2017, we reported that DOD had trouble tracking its progress on improving its financial management—a High Risk area since 1995. For example, comprehensive information on the status of DOD’s plans to address independent audit findings and recommendations is needed for DOD’s Comptroller to fully monitor progress and report it to stakeholders (including the Congress). We made eight recommendations to improve how DOD tracks and prioritizes its plans. DOD concurred with six of them and partially concurred with two. We believe that implementing all of our recommendations would help improve DOD’s audit readiness. (GAO-17-85) |

Source: GAO. | GAO-18-2SP

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

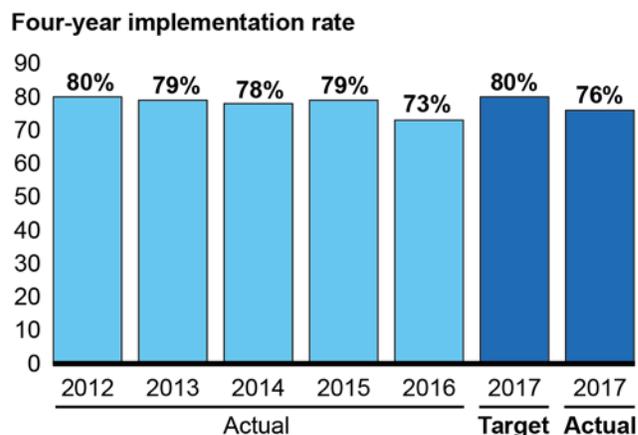
Other Measures of Our Results

Past Recommendations Implemented

One way we measure our effect on improving the government’s accountability, operations, and services is 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 that time to fully implement some of our recommendations. The 76 percent implementation rate for fiscal year 2017 increased by 3 percentage points from 2016, but fell below our target of 80 percent for the year (see [fig. 18](#)).

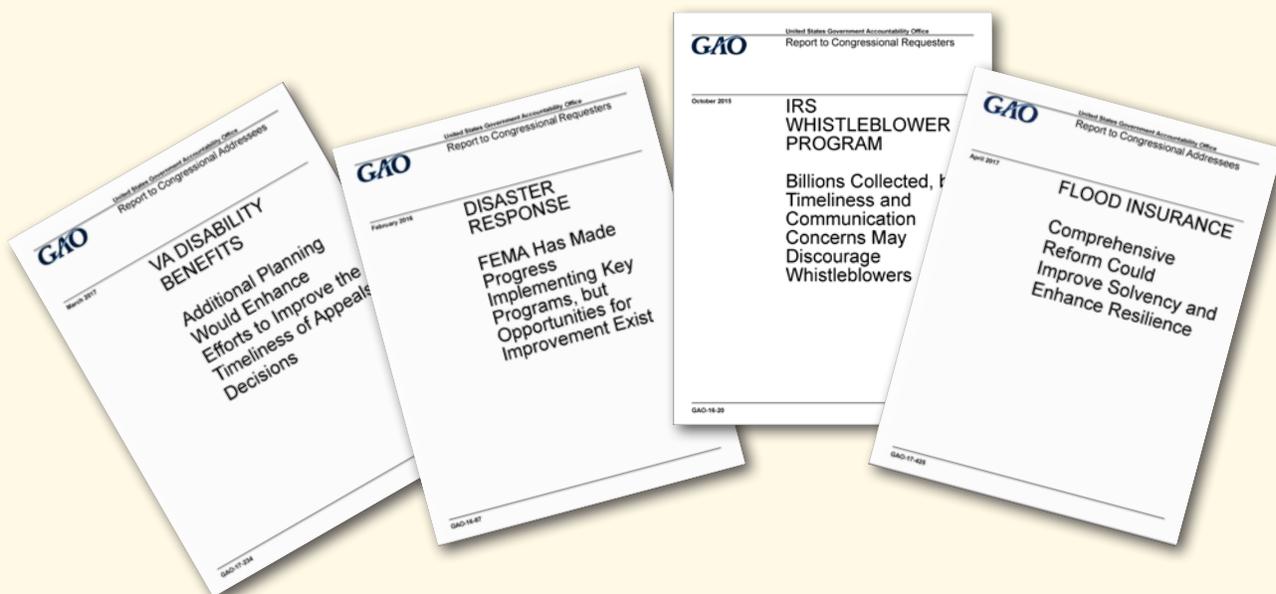
Our 4-year average implementation rate for past recommendations has been 77 percent. We are retaining our target of 80 percent for fiscal year 2018 and will continue to take appropriate actions to reach this target.

Figure 18: Percentage of Past Recommendations Implemented



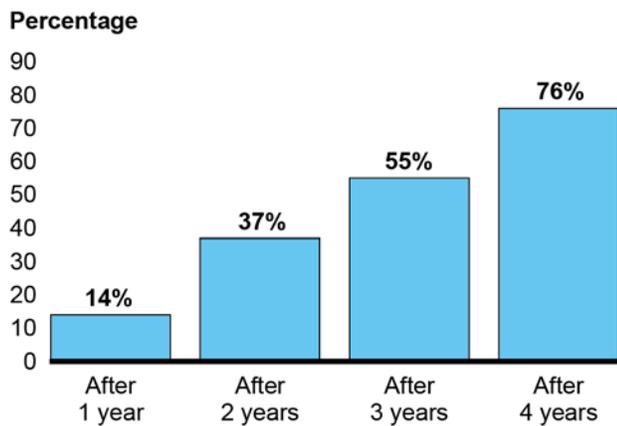
Source: GAO. | GAO-18-2SP

Putting these recommendations into practice generates tangible benefits for the nation. As [figure 19](#) 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.



Source: GAO. | GAO-18-2SP

Figure 19: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2013



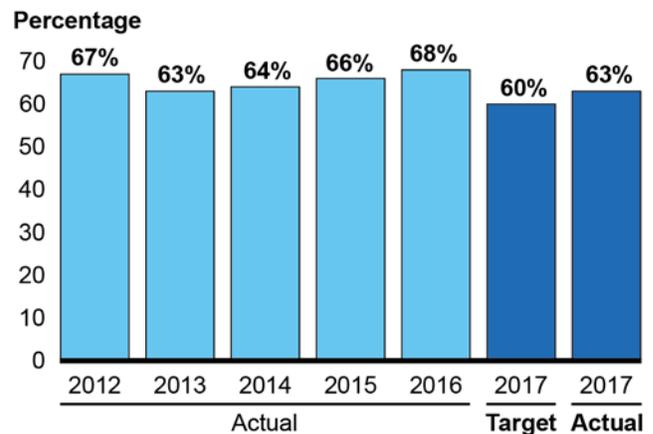
Source: GAO. | GAO-18-2SP

New Products Containing Recommendations

In fiscal year 2017, about 63 percent of the 539 written products we issued contained recommendations (see [fig. 20](#)). We track the percentage of new products with recommendations because we want to focus on developing recommendations that, when implemented, produce financial and other benefits for the nation. We exceeded our target of 60 percent by 3 percentage points. However, we are maintaining the 60 percent target for 2018 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 20: Percentage of New Products with Recommendations



Source: GAO. | GAO-18-2SP



Source: GAO. | GAO-18-2SP

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. In fiscal year 2017, we received requests for work from 92 percent of the standing committees of the Congress and 40 percent of the subcommittees. Our 4-year average for these requests is 95 percent and 55 percent, respectively. We strive to respond to all congressional requests for testimony and deliver almost all of our products when promised, based on the feedback from our clients. We issued 709 total products and completed work for 112 committees or subcommittees in fiscal year 2017.

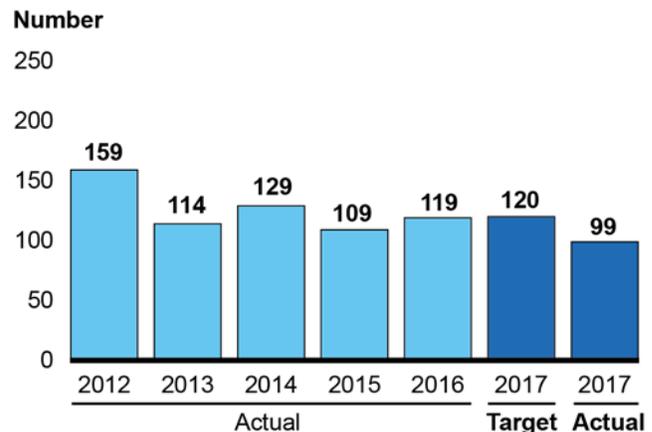
Testimonies

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 2017, our senior executives were asked to testify 99 times and we fell 21 testimonies short of our target (see [fig. 21](#)). Although we did not meet our target, we were asked to testify before 45 separate committees or subcommittees—on topics spanning most federal agencies (see [fig. 22](#)). This measure is client-driven based on invitations to testify; therefore, we cannot always anticipate clients' specific subject area interests. The 99 testimonies

that our senior executives delivered in fiscal year 2017 covered the scope of our mission areas. Forty three percent of the testimonies that our senior executives delivered were related to high-risk areas and programs, which are listed on [page 43](#) of this report.

Our senior executives also participated in 13 roundtables sponsored by congressional committees, subcommittees, or working groups. The topics covered by these roundtables included improper payments and the nation's fiscal condition, Internal Revenue Service reform, veterans health care, human trafficking, and the 2020 Census.

Figure 21: Testimonies



Source: GAO. | GAO-18-2SP

For 2018, we have maintained our target of 120 testimonies, which we consider a stretch goal, given the level of testimony requests in recent years.

Figure 22: Selected Testimony Topics • Fiscal Year 2017

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

- Controlling Medicaid's Improper Payments
- Restoring U.S. Postal Service's Fiscal Sustainability
- Addressing Serious Weaknesses in Federal Programs Serving Indian Tribes
- Improving the Small Business Administration's Disaster Loan Assistance
- Providing Health Insurance Under the Patient Protection and Affordable Care Act
- Ensuring the Privacy and Accuracy of Face Recognition Technology
- Strengthening Oversight of the Low-Income Housing Tax Credit
- Using Lessons Learned from SafeTrack to Improve Future Rehabilitation Projects
- Early Observations on Implementation of the Every Student Succeeds Act
- Improving Federal Management of Indian Energy Resources
- Addressing Department of Energy's Management Challenges

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

- Strengthening U.S. Cybersecurity Capabilities
- Addressing Critical Acquisition Decisions for the Littoral Combat Ship and Frigate
- Observations on the Use of Force Management Levels In Afghanistan, Iraq, and Syria
- Addressing Challenges to DOD's Delivery of Critical Space Capabilities
- Enhancing Controls Over DOD's Excess Property
- Observations on Challenges Facing Navy Readiness
- Improving DHS's Border Security: Addressing Threats Posed by High-Risk Travelers and Strengthening Visa Security
- Observations on Implementation of Federal Immigration Laws—Northern Mariana Islands
- Increasing DOD's Accountability Over Equipment Provided to Iraq's Security Forces
- Improving the Response to Zika Virus Outbreaks

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

- Addressing DATA Act Implementation Challenges
- Improving Antifraud Efforts for Social Security Administration Disability Benefits
- Improving VA's Management of IT
- Protecting Older Adults from Abuse by Guardians
- Addressing VA's Improper Payment Estimates and Ongoing Efforts to Reduce Them
- Reducing Fragmentation, Overlap, and Duplication in Federal Programs
- Improving IG Oversight of Architect of the Capitol Operations
- Improving Implementation of IT Reform Law Critical to Effective Management
- Addressing Cybersecurity Workforce Challenges
- Reducing Collection, Use, and Display of Social Security Numbers
- Using Leading Human Capital Practices to Improve Agency Performance
- Assessing Progress on Preparations for the 2020 Census
- Addressing Implementation Challenges with IRS's New Wage Verification Process
- Improving Government Efficiency and Effectiveness to Reduce Federal Costs

Source: GAO. | GAO-18-2SP

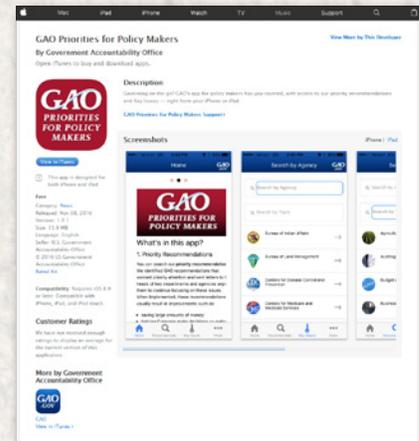
Note: Additional information on selected testimonies can be found in [Part II](#) of this report.

Comptroller General Highlighting GAO's Resources for the Transition and Testifying Before the Congress



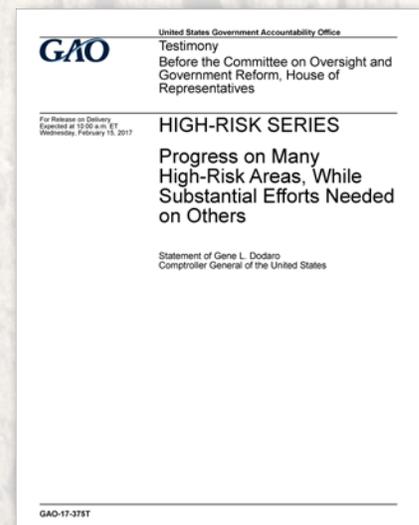
November 10, 2016

U.S. Comptroller General Gene Dodaro highlights GAO's resources for the transition, including a new mobile application, priority recommendations, and management agenda



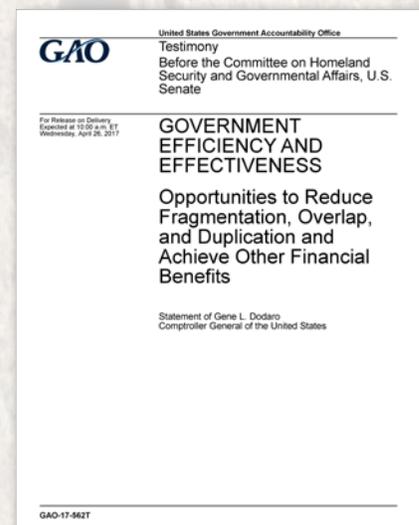
February 15, 2017

Comptroller General testifies to U.S. House on GAO's 2017 High-Risk List



April 28, 2017

Comptroller General testifies to U.S. Senate on opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits



Source: GAO (three photos above, screenshot of GAO website, and covers of GAO reports). | GAO-18-2SP

GAO Senior Executives Testifying Before the Congress and Leading Engagements in the Field

GAO Senior Executives testifying before the Congress...



Source: GAO. | GAO-18-2SP
Cindy Brown Barnes



Photo: Carlos Bongioanni © Stars and Stripes
John Pendleton



Source: GAO. | GAO-18-2SP
Allison Bawden

...and Leading GAO Engagement Teams in the Field...



Source: GAO. | GAO-18-2SP
Daniel Garcia-Diaz assists team with file review of rural housing loans at a USDA state office in Dover, Delaware.



Source: GAO. | GAO-18-2SP
Timothy Persons, Chief Scientist, tests a disease detection technology at a firm in Menlo Park, California.



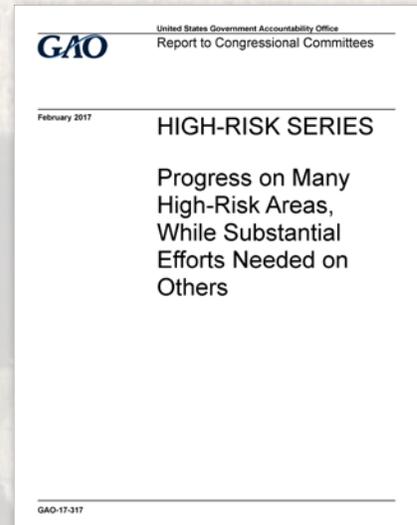
Source: GAO. | GAO-18-2SP
Randall Williamson, prepares to watch processes used to sterilize reusable medical equipment at a VA medical facility.

Videos with Senior Executives on GAO's High-Risk Work



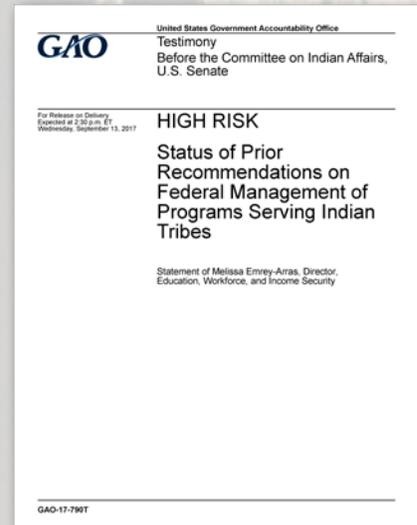
February 15, 2017

Robert Goldenkoff discusses the 2020 Census



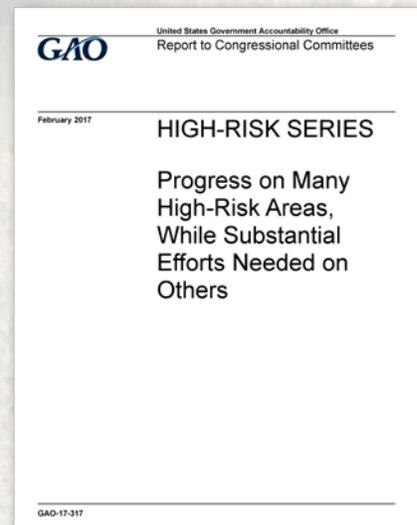
February 15, 2017

Melissa Emrey-Arras discusses programs that serve tribes and their members



February 15, 2017

David Trimble discusses the U.S. Government's environmental liabilities



Source: GAO (three photos above and covers of GAO reports). | GAO-18-2SP

Timeliness

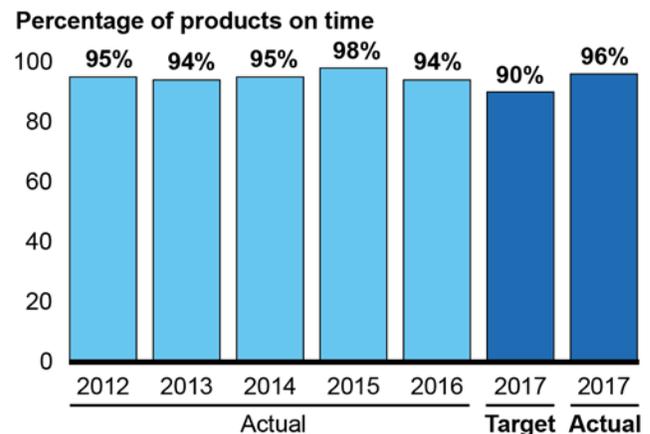
To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2017, we exceeded our timeliness target of 90 percent by 6 percentage points (see [fig. 23](#)). We reach out directly to our clients through several means, including an electronic feedback form. We 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 53 percent of the congressionally requested written products we issued in fiscal year 2017.

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.

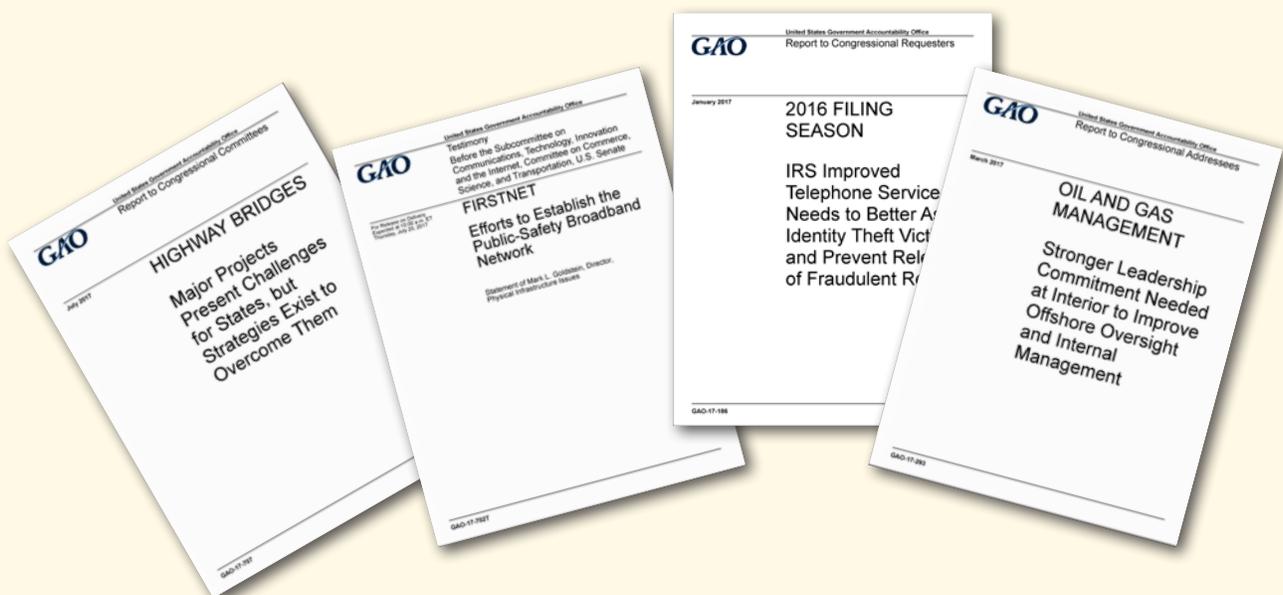
In fiscal year 2017, of the congressional staff that responded to the questions on timeliness, 96 percent said our products were on time. Overall, the response rate to our entire form was 24 percent. We received feedback on 54 percent of the products for which we sent forms.

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 2018 target at 90 percent because we believe that this is realistic given current staffing levels and workload demands.

Figure 23: Timeliness



Source: GAO. | GAO-18-2SP



Source: GAO. | GAO-18-2SP

Focusing on Our People

Our highly diverse and professional multidisciplinary staff were critical to our fiscal year 2017 performance. Our ability to hire, develop, retain, and lead staff is key to fulfilling our mission of serving the Congress and the American people. Over the last 10 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2017, we exceeded the targets for 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 20](#), which begins on [page 125](#) 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 to the most pressing issues for congressional oversight and decision making. [Table 4](#) shows that in fiscal year 2017, our new hire rate was 83 percent. We planned to hire 211 new staff, and filled 175 positions (83 percent of our target) by the end of the year.

Table 4: Actual Performance and Targets Related to Our New Hire Rate Measure

| Performance measure | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target | 2017 actual |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | | |
| New hire rate | 76% | 66% | 88% | 83% | 81% | 80% | 83% |

Source: GAO. | GAO-18-2SP

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 5](#) shows that in fiscal year 2017, we exceeded our target rate of 92 percent for retention with retirements by 2 percentage points at 94 percent. We also exceeded our retention rate target without retirements by one percentage point at 97 percent.

Table 5: Actual Performance and Targets Related to Our Retention Rate Measures, Including and Excluding Retirements

| Performance measures | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target | 2017 actual |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | | |
| Retention rate | | | | | | | |
| With retirements | 93% | 93% | 94% | 94% | 93% | 92% | 94% |
| Without retirements | 96% | 96% | 97% | 96% | 96% | 96% | 97% |

Source: GAO. | GAO-18-2SP

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 anonymous, 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. 125-133](#) for additional information about these measures.) This fiscal year, 72 percent of our employees completed the survey, and we exceeded all four targets (see [table 6](#)). Our performance on staff development exceeded our target of 80 percent by 4 percentage points. Staff utilization exceeded our target of 76 percent by 4 percentage points, leadership exceeded our target of 82 percent by 2 percentage points, and organizational climate exceeded our target of 76 percent by 7 percentage points. Given our performance on these measures in recent years, we have decided to keep these targets for fiscal year 2018.

Table 6: 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 ^a | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target | 2017 actual | 2018 Target |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | | | |
| Staff development | 80% | 80% | 83% | 84% | 83% | 80% | 84% | 80% |
| Staff utilization | 76% | 75% | 77% | 79% | 79% | 76% | 80% | 76% |
| Effective leadership by supervisors | 82% | 83% | 83% | 83% | 85% | 82% | 84% | 82% |
| Organizational climate | 78% | 77% | 79% | 80% | 81% | 76% | 83% | 76% |

Source: GAO. | GAO-18-2SP

^aCertain portions of our web-based survey are used to develop these four measures.

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 7](#)). 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 measured staff satisfaction with our three internal operations for fiscal year 2017 through our internal customer satisfaction survey, conducted in two parts—half of the GAO staff in February 2017 and the second half in August 2017, to allow us to identify and respond to issues more quickly.

The first measure encompasses services that help employees get their jobs done, such as hiring, IT support, internal communications, and report production. The second measure encompasses services that affect quality of work life, such as assistance related to pay and leave, building security and maintenance, and reasonable accommodations. 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 7](#) shows that in fiscal year 2017, we exceeded our target rate of 80 percent for “help get job done” by four percentage points at 84 percent. We also exceeded our target of 80 percent for quality of work life by two percentage points at 82 percent. We feel short of our target of 80 percent for IT tools by six percentage points at 74 percent. In fiscal year 2018, we will continue to take steps to improve employee satisfaction with IT Tools. Given our recent performance, we have decided to keep these targets for fiscal year 2018.

Table 7: Actual Performance and Targets Related to Our Internal Operations Measures

| Performance measures | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target | 2017 actual | 2018 target |
|----------------------------|------------------|------------------|-------------|-------------|------------------|-------------|-------------|-------------|
| Internal operations | | | | | | | | |
| Help get job done | N/A ^a | 82% | 82% | 80% | N/A ^b | 80% | 84% | 80% |
| Quality of work life | N/A ^a | 78% | 78% | 78% | N/A ^b | 80% | 82% | 80% |
| IT tools | N/A ^a | 68% ^c | 65% | 67% | N/A ^b | 80% | 74% | 80% |

Source: GAO. | GAO-18-2SP

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

^aNo survey was conducted in calendar year 2012 (denoted by N/A).

^bWe did not have data to report for fiscal year 2016 because the survey was conducted on a calendar year basis (denoted by N/A).

^cIn 2013, we added the IT performance measure to better gauge and track satisfaction with GAO’s IT services. In prior survey years, IT services were covered under one of the other performance measures (denoted by N/A).

GAO's High-Risk Program

At the start of each new Congress, we issue 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 transformative change. Our 2017 edition offers solutions to 34 high-risk problems with 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 include transforming DOD business operations, and managing federal contracting more effectively, assessing the efficiency and effectiveness of tax law administration, and modernizing and safeguarding insurance and benefit programs. Our 2017 high-risk work produced 154 reports, 43 testimonies, \$42.2 billion in financial benefits, and 519 program and operational benefits. The high-risk areas with the largest financial benefits were DOD Weapon Systems Acquisition, the Pension Benefit Guaranty Corporation Insurance Programs, and Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance.

In our 2017 update, we reported that many of the 32 areas on our 2015 High-Risk List had shown solid progress. Twenty-three areas (two-thirds) had met or partially met all five criteria for removal from this list; 15 areas fully met at least one criterion. We removed the one area from our 2015 list that had met all five criteria and added three areas—bringing our new total to 34 high-risk areas.

Specifically, we removed the high-risk area on managing terrorism-related information because significant progress had been made to strengthen how intelligence on terrorism, homeland security, and law enforcement is shared among federal, state, local, tribal, international, and private sector partners. We also removed segments of two areas (1) DOD supply chain management and

(2) gaps in geostationary weather satellite data, based on sufficient progress.

Our 2017 high-risk work:

- 154 reports
- 43 testimonies
- \$42.2 billion in financial benefits
- 519 other benefits

We expanded two existing areas on our high-risk list. The two areas we expanded are (1) DOD's polar-orbiting weather satellites and (2) the Department of the Interior's restructuring of offshore oil and gas management. We also added the following three new high-risk areas:

- **Management of Federal Programs That Serve Tribes and Their Members.** We have reported that federal agencies, including the Department of the Interior's Bureaus of Indian Education and Indian Affairs and the Department of Health and Human Services' Indian Health Service, have ineffectively administered Indian education and health care programs and inefficiently developed Indian energy resources. We have made 41 related recommendations—of which 39 are unimplemented.
- **The 2020 Decennial Census.** The 2010 Census was the costliest in U.S. history—reaching about \$12.3 billion or nearly 31 percent more than the 2000 Census. The U.S. Census Bureau plans to implement several innovations, including IT systems, for the 2020 Census. Successfully implementing these innovations, along with addressing other challenges, would improve the Census Bureau's ability to manage related risks and conduct a cost-effective 2020 Census. Since 2014, we have made 30 related recommendations—of which 24 are unimplemented.

Table 8: GAO's High-Risk List as of September 30, 2017

| High-risk area | Year designated |
|---|-----------------|
| Strengthening the Foundation for Efficiency and Effectiveness | |
| ▪ Improving Federal Programs that Serve Tribes and Their Members (new) ^a | 2017 |
| ▪ 2020 Decennial Census (new) | 2017 |
| ▪ U.S. Government's Environmental Liabilities (new) ^a | 2017 |
| ▪ Improving the Management of IT Acquisitions and Operations | 2015 |
| ▪ 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 the Federal Role in Housing Finance ^a | 2009 |
| ▪ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability ^a | 2009 |
| ▪ Funding the Nation's Surface Transportation System ^a | 2007 |
| ▪ Managing Federal Real Property | 2003 |
| ▪ Strategic Human Capital Management ^a | 2001 |
| Transforming DOD Program Management | |
| ▪ DOD Approach to Business Transformation | 2005 |
| ▪ DOD Support Infrastructure Management ^a | 1997 |
| ▪ DOD Business Systems Modernization | 1995 |
| ▪ DOD Financial Management | 1995 |
| ▪ DOD Supply Chain Management | 1990 |
| ▪ DOD Weapon Systems Acquisition | 1990 |
| Ensuring Public Safety and Security | |
| ▪ 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 ^a | 2007 |
| ▪ Improving Federal Oversight of Food Safety ^a | 2007 |
| ▪ Strengthening Department of Homeland Security Management Functions | 2003 |
| ▪ Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information ^a | 1997 |
| Managing Federal Contracting More Effectively | |
| ▪ DOD Contract Management ^a | 1992 |
| ▪ DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management | 1990 |
| ▪ NASA Acquisition Management | 1990 |
| Assessing the Efficiency and Effectiveness of Tax Law Administration | |
| ▪ Enforcement of Tax Laws ^a | 1990 |
| Modernizing and Safeguarding Insurance and Benefit Programs | |
| ▪ Managing Risks and Improving VA Health Care ^a | 2015 |
| ▪ National Flood Insurance Program ^a | 2006 |
| ▪ Improving and Modernizing Federal Disability Programs | 2003 |
| ▪ Pension Benefit Guaranty Corporation Insurance Programs ^a | 2003 |
| ▪ Medicaid Program ^a | 2003 |
| ▪ Medicare Program ^a | 1990 |

Source: GAO. | GAO-18-2SP

^aLegislation is likely to be necessary in order to effectively address this area.

- U.S. Government’s Environmental Liabilities.** Agencies spend billions each year on environmental cleanup efforts, but the estimated environmental liability continues to rise. In fiscal year 2016 this liability was estimated at \$447 billion (up from \$212 billion in 1997). The Department of Energy (DOE) is responsible for 83 percent of these liabilities and DOD for 14 percent. Since 1994, we have made 28 related recommendations—of which 13 are unimplemented.

Our experience for more than 25 years has shown that the key elements needed to make progress in high-risk areas are (1) congressional action, (2) high-level Administration initiatives, and/or (3) agency efforts targeted to address the risk.

In fiscal year 2017, the Congress passed the Program Management Improvement Accountability Act, which seeks to improve program and project management in federal agencies. Among other things, the act requires the Deputy Director of the Office of Management and Budget (OMB) to adopt and oversee implementation of government-wide standards, policies, and guidelines for program and project management in executive agencies. The act also elevates agencies’ attention to GAO’s High-Risk List by requiring the OMB Deputy Director to address programs on this list by (1) reviewing agencies’ portfolios, (2) creating an interagency forum to review programs on this list, (3) making recommendations to the Deputy Director or designee; and (4) having GAO review the effectiveness of key efforts under the act.

We also continued to meet with top OMB and agency leaders in a series of regular meetings to discuss progress and actions needed for removal from our list of High-Risk areas. A complete list of these areas is shown in table 8 and details can be found at <http://www.gao.gov/highrisk/overview>.

Opportunities to Reduce Fragmentation, Overlap, and Duplication; Achieve Other Financial Benefits

In April 2017, we issued our seventh annual report to the Congress on federal programs, agencies, offices, and initiatives that have duplicative goals or activities as well as opportunities to achieve greater efficiency and effectiveness that result in costs savings or enhanced revenue collection. ([GAO-17-491SP](#))

Our 2017 duplication report identified 79 new actions that executive branch agencies or the Congress could take to improve the efficiency and effectiveness of government across 29 new areas. Of these, we identified 15 areas in which there is evidence of fragmentation, overlap, or duplication. For example, we found that the Army and Air Force need to improve the management of their virtual training programs to avoid fragmentation and better acquire and integrate virtual devices into training to potentially save tens of millions of dollars.

We also identified 14 areas to reduce the cost of government operations or enhance revenues. For example, we found that DOE could potentially save tens of billions of dollars by improving its analysis of options for storing defense and commercial high-level nuclear waste and fuel.

In addition to identifying new areas, we continued to monitor the progress the Congress and executive branch agencies have made in addressing the 645 actions that we identified government-wide from 2011 to 2016. Congressional and executive branch efforts to address these actions over the past six years have resulted in roughly \$136 billion in financial benefits, of which \$75 billion has accrued and at least an additional \$61 billion in estimated benefits is projected to accrue 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 http://www.gao.gov/duplication/action_tracker/all_areas.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in 2010, was intended to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. We have completed the almost 30 one-time studies mandated by the act and continue to conduct work on several recurring studies. In fiscal year 2017, we reported on recurring financial statement audits of the Securities and Exchange Commission (SEC) (GAO-17-158R) and the Consumer Financial Protection Bureau (GAO-17-138R). We also reported on recurring audits of SEC's supervisory controls (GAO-17-16), SEC's personnel management (GAO-17-65, GAO-17-95SP), and SEC's Conflict Minerals Rule (GAO-17-544T, GAO-17-733).

In addition to work mandated by the act, we responded to a provision in statute for GAO to conduct an annual study of

federal financial regulators' rulemakings authorized or issued pursuant to the act (GAO-17-188). Specifically, we studied the regulatory analyses conducted by the regulators, including their assessments of which rules they considered to be major rules; the coordination between and among regulators on these rulemakings; and indicators of the impact of selected Dodd-Frank Act provisions and their implementing regulations on financial market stability. As of December 2016, regulators had issued final rules for about 75 percent of the 236 provisions of the act that we are monitoring.

We also responded to a congressional request related to the act, to examine various effects of the amended and original versions of section 716 of the act (also known as the "swaps push-out rule") on U.S. banks and their bank holding companies, end-users of swaps, and taxpayers in light of other Dodd-Frank Act reforms (GAO-17-607).

The full effect of the Dodd-Frank Act remains uncertain because some of its rules have not been finalized and not enough time has passed to evaluate others. However, our ongoing work in this area has provided the Congress with information that helped it oversee the financial markets and regulators and understand the effects of new regulations.



Source: GAO. | GAO-18-2SP

Other Ways GAO Served 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 the General Counsel in fiscal year 2017. The following exemplify some of our key contributions.

The Office of the General Counsel handled about 2,600 bid protests during the course of fiscal year 2017.⁶ 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 2017, we issued over 500 decisions on the merits, which are accessible on GAO's Bid Protest Decisions web page at <http://www.gao.gov/legal/bid-protests/search>. 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 2017 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, 2014,⁷ included a provision for 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. We have completed development of the application and are finalizing enhancements to the security of the system. In addition, we plan to initiate a pilot program that would allow selected protest filers to use the system early in fiscal year 2018.

Within the Office of the General Counsel, five attorneys appointed by the General Counsel also serve on our Contract Appeals Board, 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 decisions as necessary to adjudicate contract appeals. These appear on our website at <http://www.gao.gov/legal/contract/decisions.html>.

During fiscal year 2017, the GAO Contract Appeals Board opened six new appeals and closed four appeals, including one where a summary judgment decision was

⁶The number of protests in the last 3 years are as follows: 2,789 filings in fiscal year 2016, 2,639 filings in fiscal year 2015, and 2,561 filings in fiscal year 2014.

⁷Pub. L. No. 113-76, div. I, title I, § 1501, 128 Stat. 5, 433-34 (Jan. 17, 2014).

issued. There were also numerous instances involving the submission of appeals over which the GAO Contract Appeals Board did not have jurisdiction, and for which no appeal file was opened. Most of the closed appeals involved settlements between the parties based on varying degrees of GAO Contract Appeals Board input. At the end of fiscal year 2017, the board had six pending appeals on its docket, as compared with four appeals pending at the end of fiscal year 2016.

In fiscal year 2017, we published seven appropriations law products. These are available on our Appropriations Law Decisions web page at <http://www.gao.gov/legal/appropriations-law-decisions/search>. These opinions dealt with issues relating to the Antideficiency Act, the Miscellaneous Receipts Statute, and other appropriations law issues. For example:

In February 2017, we issued a legal opinion finding that the Commodity Futures Trading Commission (CFTC) violated the miscellaneous receipts statute in some real property leases when it arranged for its landlords to pay CFTC's legal liabilities to third-party contractors.⁸ We concluded that CFTC should examine its accounts and adjust them as needed to ensure that (1) its obligations were properly recorded and liquidated against available budget authority and (2) amounts it received as reimbursements and amounts its landlords paid to satisfy CFTC's obligations are deposited in the Department of the Treasury (Treasury) as miscellaneous receipts. If CFTC's adjustments resulted in an over-obligation in any of CFTC's appropriation accounts, it should report a violation of the Antideficiency Act.

In September 2017, we issued a legal opinion finding that the United States Department of Agriculture (USDA) violated the Purpose Statute when it obligated

an appropriation for the salaries and benefits of individuals who were detailed to perform duties for other offices funded by separate appropriations.⁹ We concluded that USDA should adjust its accounts to charge the proper appropriations for the identified expenses and if sufficient amounts are not available, USDA should report a violation of the Antideficiency Act.

Other Legal Work

Attorneys from the Office of the General Counsel also provided ongoing appropriations law assistance to various congressional committees and federal agencies on a number of topics including the application of the Antideficiency Act and the Impoundment Control Act. We also informally assisted the Congress on a number of other matters, including user fees, continuing resolutions, legislative drafting, and transfer authority.

GAO's *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 2017, 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. In 2017, we released the third chapter of the fourth edition of the Red Book, which addresses issues involving the purposes for which appropriations can be used and the Purpose Statute.¹⁰

⁹B-328477, Sept. 26, 2017.

¹⁰Principles of Appropriations Law, also known as the Red Book, is a multi-volume treatise concerning federal fiscal law available at <http://www.gao.gov/legal/red-book/overview>. GAO-17-797SP (Washington, D.C.: Sept. 14, 2017), GAO-16-463SP (Washington, D.C.: Mar. 10, 2016), GAO-16-464SP (Washington, D.C.: Mar. 10, 2016), GAO-15-303SP (Washington, D.C.: Mar. 12, 2015), GAO-08-978SP (Washington, D.C.: Sept. 1, 2008), GAO-06-382SP (Washington, D.C.: Feb. 1, 2006), GAO-04-261SP (Washington, D.C.: Jan. 1, 2004).

⁸B-327830, Feb. 8, 2017.

Attorneys from the Office of the General Counsel continued to teach a 2½ 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 directs. We held 27 classes across 20 agencies, including the Executive Office of the President and the Council of the Inspectors General on Integrity and Efficiency, as well as the House of Representatives Chief Administrative Office that included staff from multiple committees.

We also provided briefings for the staff of the appropriations committees and for both the Senate and the House of Representatives. In addition, appropriations lawyers spoke on our appropriations law work at conferences and trainings hosted by 11 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 thirteenth annual Appropriations Law Forum in March 2017, in which 200 attorneys from 78 government agencies and 19 Inspectors General offices participated.

For fiscal year 2017, we received 16 Antideficiency Act reports and made selected information from these reports available on our website. 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 225 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. We issued 73 reports for rules received in fiscal year 2017.

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.

The Office of the General Counsel was involved in the analysis of a wide range of labor relations and federal employment issues, as well as privacy and document disclosure matters, during the course of the year. The Office of the General Counsel attorneys represented GAO and its officials in various ongoing civil litigation matters pending before federal courts and administrative boards. Attorneys also continued to provide training for managers on employment and other human capital responsibilities. The Office of the General Counsel was an active stakeholder in ensuring that GAO's acquisition practices and procedures comply with best practices.

Strategic Planning and Partnerships

GAO's 2014-2019 [Strategic Plan](#) outlines the agency's strategy to ensure our audit work supports the most important priorities of the Congress and the American people. To execute this strategy effectively, GAO provides oversight of federal spending, insight into best practices, and foresight to identify and explore emerging issues that represent important opportunities or risks to the United States.

GAO continues to strengthen its foresight capabilities in order to ensure the agency is adept at understanding evolving issues and trends and is prepared to address these issues in a complex and rapidly changing external environment. In fiscal year 2017, GAO convened advisory groups and forums to inform our strategic and annual work planning and shed light on important emerging issues such as transit security, cybersecurity, and artificial intelligence.

Through its domestic and international partnerships, GAO builds collaborative knowledge-sharing and capacity-building networks. We prioritize strong partnerships with federal inspectors general, state and local audit organizations, and other countries' national audit offices—known as supreme audit institutions or SAIs. These networks enhance our ability to perform audits and allow us to shape professional audit standards and serve as a leader within the accountability community. They also allow GAO to participate in efforts to help strengthen the professional capacities of international and domestic audit organizations.

Networks, Collaborations, and Partnerships

GAO is able to contribute as a leader in the accountability community because we work within our domestic and international networks to build partnerships around key

issues such as public sector foresight, audit and accountability, and standard setting. To do this, GAO works closely with SAIs, federal inspectors general, and state and local U.S. auditors.

These partnerships provide tangible benefits to GAO. They help us bolster internal expertise around emerging issues and allow us to shape professional audit standards and represent the U.S. government's views and interests to the domestic and international communities. They also help position GAO to address the unique challenges of overseeing federal spending that flows to international partners and sub-federal grant recipients at the state and local levels.

In addition to our external participation in specific accountability community efforts, GAO shares information about its mission and work with hundreds of domestic and international visitors that come to our agency headquarters each year. GAO values these visits as important opportunities to build or reinforce our professional networks.

Federal, State, and Local Collaboration

In fiscal year 2017, we continued to foster collaboration and advance accountability at the federal, state, and local levels. We collaborated with our federal partners through the Council of the Inspectors General on Integrity and Efficiency (CIGIE) coordination meeting, at which 61 inspector general offices were represented.

We also led efforts to promote dialogue and action around critical accountability issues at the federal, state, and local levels through a series of events associated with one national and nine regional intergovernmental audit forums. In 2017, we focused on efforts to better understand

or improve government strategies around cybersecurity, improper payments, data analytics, and human capital planning. We supported 10 events with more than 1,164 overall attendees from the federal, state, and local levels of government. These efforts allowed GAO to learn from our state and local partners. It also enabled intergovernmental auditors to build their own networks and share information to address the challenges within government accountability during a time of fast-changing technology and workforce demands.

International Coordination

GAO's participation in international accountability networks primarily involves the International Organization of Supreme Audit Institutions (INTOSAI), an umbrella organization for the international government auditing community. INTOSAI currently has 194 members that represent our counterparts around the world. GAO has been a member of INTOSAI for more than four decades.

In fiscal year 2017, INTOSAI adopted a new Strategic Plan that establishes priorities and strategic direction through 2022. GAO chaired the INTOSAI Strategic Plan Task Force, an entity charged with coordinating the drafting, translation, and adoption of the plan. The newly adopted INTOSAI Strategic Plan lays out the institutional values and goals that will play a central role in guiding INTOSAI efforts for years to come.

INTOSAI continues to ensure the global accountability community is addressing the most important issues through a series of working groups and task forces. GAO staff contribute subject matter expertise to these INTOSAI bodies. In 2017, GAO helped stand up the Working Group on Big Data (WGBD), designed to share SAIs' ideas and experiences in this critical emerging area. Through its contribution to the Working Group on Financial Modernization

and Regulatory Reform (WGFMR), GAO supported efforts to monitor international financial reform by collecting information on members' financial sector audit work and working with organizations such as the International Monetary Fund (IMF) and Basel Committee on Banking Supervision.

The International Journal of Government Auditing (the Journal) is the official publication of INTOSAI. It was developed as a tool to promote collaboration and continuous improvement among the international accountability community. GAO manages quarterly publication of the Journal on behalf of INTOSAI's members.

In 2017, the Journal highlighted the integral role of SAIs in addressing the challenges of climate change and implementing the United Nations Sustainable Development Goals. It published a series of articles discussing climate change adaptation risk frameworks and SAIs' environmental performance audits. The Journal furthered its role as a knowledge-sharing platform for SAIs by introducing a new media strategy involving live coverage of INTOSAI events that helped bolster INTOSAI's media presence and increase the Journal's social media following.

This year, GAO briefed more than 220 international visitors from over 55 countries on our mission and work. These educational visits often involve foreign leaders focused on accountability, audit, and oversight. They provide an opportunity to share GAO's history and encourage our international counterparts to learn from our experience.

Capacity-Building

Capacity-building efforts help the U.S. government promote good governance and ensure that federal funds for programs abroad are worthwhile investments. When developing countries bolster the professional capacities and independence of their audit agencies, they are better

able to ensure government funds are spent efficiently and effectively. GAO continues to advance SAI capacity-building efforts and the INTOSAI-Donor Cooperation.

Through the INTOSAI-Donor Cooperation (IDC) initiative, INTOSAI coordinates with the donor community to strategically invest in capacity-building efforts that strengthen SAIs in developing countries. For example, by adopting internationally accepted audit standards, a South Asian country was able to improve its audit quality, enhance its credibility as a SAI institution, and access donor resources that support further development. It was able to leverage its enhanced capacity to address a key structural impediment: public debt management. In direct response to an audit report on this issue, the country's parliament established public debt thresholds and a new Finance Department to ensure debt levels remain sustainable.

In 2017, the IDC relaunched the Global Call for Proposals to help other developing countries. This year's call for proposals provided more flexibility to SAIs applying for capacity development opportunities.

GAO also advanced its capacity-building efforts abroad through the International Auditor Fellowship Program. In fiscal year 2017, 15 participants from 12 countries completed our 4-month training for mid-to-senior-level staff from SAIs. This program strengthens GAO's existing partnerships in the international accountability community while also investing in future networks and relationships.

Since the program began in 1979, over 590 officials from the SAIs of 106 countries have graduated from the program. Many graduates advance to senior positions, including auditors general and ministerial positions within their governments. GAO staff, who serve as instructors, mentors, and sponsors, have the unique opportunity

to become part of a network of good government professionals and experts through their participation in this program.

Center for Audit Excellence

The Congress authorized GAO to establish a Center for Audit Excellence (the Center) in 2014 in order to provide training and technical assistance to domestic and international accountability organizations. Although GAO contributes to a number of efforts that promote good governance and enhance accountability community capacity, the Center is unique in its ability to tackle complex training and capacity-building projects because it can offer a wide range of services at locations throughout the world. The Center is authorized to charge fees for its services to facilitate recovery of its costs.

Since its first year of operation in fiscal year 2016, the Center provided course offerings in a number of areas, including internal control, performance auditing, audit leadership and supervision, and report writing. During fiscal year 2017, the Center experienced increased demand for training and technical assistance services from both domestic and international accountability organizations, leading to an increased volume of training and technical assistance services and a significant increase in revenue.

In 2017, the Center signed agreements or provided training classes or technical assistance to 15 organizations, including international, federal, state, and local government accountability organizations. Internationally, the Center provided training and technical assistance on conducting information technology audits to auditors from a SAI in Europe. The Center also signed an agreement to provide technical assistance to a SAI in Central America and is in the process of negotiating other international agreements.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2017 Performance Goals

Our financial statements for the fiscal year ending September 30, 2017, were audited by an independent auditor, CliftonLarsonAllen, LLP, and received an unmodified opinion. The auditor found our internal controls over financial reporting 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 the United States. The [auditor's report](#), along with the [statements](#) and their accompanying [notes](#), begins on [page 95](#) in this report.

[Table 9](#) summarizes key data.

Table 9: GAO's Financial Highlights: Resource Information (Dollars in Millions)

| | Fiscal year 2017 | Fiscal year 2016 |
|--|------------------|------------------|
| Total budgetary resources | \$617.3 | \$594.1 |
| Gross outlays | \$576.7 | \$557.8 |
| Net Cost of Operations | | |
| Goal 1: Well-being / Financial Security of American People | \$221.2 | \$215.1 |
| Goal 2: Changing Security Threats / Challenges of Global Interdependence | 152.2 | 156.6 |
| Goal 3: Transforming the Federal Government's Role | 148.3 | 143.9 |
| Goal 4: Maximize the Value of GAO | 15.2 | 17.6 |
| Other costs in support of the Congress | 32.6 | 32.9 |
| Reimbursable services not attributable to above cost by goal categories | (10.3) | (9.7) |
| Total net cost of operations | \$559.2 | \$556.4 |
| Actual full-time equivalents (FTE) | 2,994 | 2,983 |

Source: GAO. | GAO-18-2SP

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 2017, our budgetary resources included new direct appropriations of \$544.5 million, and \$32.0 million in spending authority from offsetting collections, primarily from the lease of space in our headquarters building and certain audits of agency financial statements. Our total budgetary resources in fiscal year 2017 were \$617.3 million.

Total assets were \$106.1 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), and was substantially the same as total assets at the end of fiscal 2016.

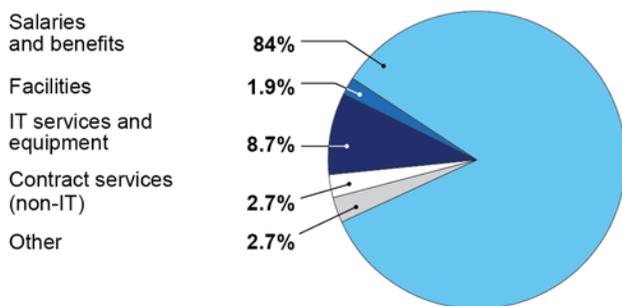
Total liabilities were \$78.8 million, composed largely of employees’ accrued annual leave, employees’ salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable. The balance of total liabilities at the end of fiscal year 2017 remains substantially the same as total liabilities at the end of fiscal 2016.

Our net cost of operations in fiscal year 2017 is \$559.2 million compared to \$556.4 million in fiscal year 2016. The increase of approximately \$2.8 million reflects only small increases and decreases in costs by strategic goals.

Figure 24 shows how our fiscal year 2017 costs break down by category.

Figure 24: Use of Fiscal Year 2017 Funds by Category:

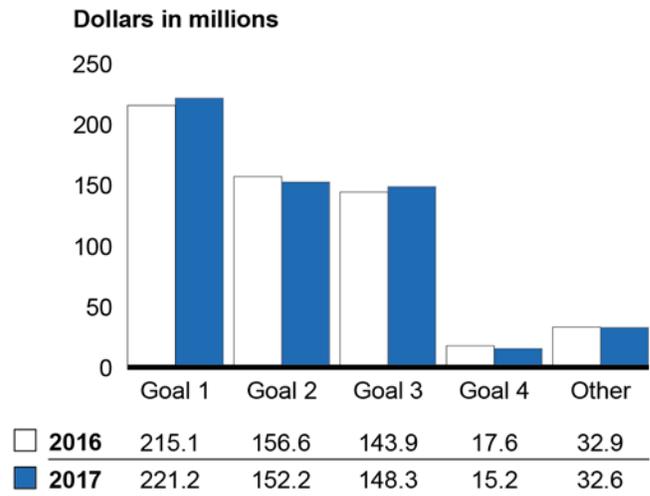
Percentage of total net costs



Source: GAO. | GAO-18-2SP

Figure 25 shows our net costs by goal for fiscal years 2016 and 2017.

Figure 25: Net Cost by Goal



Source: GAO. | GAO-18-2SP

Note: Totals are not adjusted for inflation.

Summary of Financial Systems Strategies and 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; CWTSato’s E2 Solutions 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 keeping with our effort to continuously improve our operations, we undertook a significant endeavor this fiscal year to prepare to migrate to a new financial management system starting in fiscal year 2018. The migration to the Legislative Branch Financial Management System (LBFMS) aligns with guidance from the House Budget Subcommittee on the Legislative Branch, to consolidate legislative branch financial operations. The LBFMS operates Momentum Release 7.4 as the integrated Financial Management System and hosts the transaction processing system in a FedRAMP compliant and secure facility.

Internal Controls

We recognize the importance of 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 meet the internal control objectives of FMFIA and follow the spirit of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Although we are not subject to the act or circular, we comply voluntarily with the 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, our controls 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.

Accordingly, we performed a risk-based assessment of internal control over financial reporting 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, 2017, was operating effectively and that no material control weaknesses were found in the design or operation of the internal control over financial reporting. Further, our independent auditor found that we maintained effective internal control over financial reporting and compliance with laws and regulations. The external auditor also found no material internal control weaknesses.

In addition, we meet the objectives of FFMIA. 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, 2017. We made this assessment based on criteria established under FFMIA and guidance issued by OMB.

While not subject to the Improper Payments Elimination and Recovery Act of 2012, we complied with the spirit of it which requires that agencies periodically review activities susceptible to significant improper payments, estimate the amount of improper payments, and implement a plan to reduce and report estimated improper payments. We have implemented and maintained internal control procedures to monitor disbursement of federal funds for valid obligations.

Our Inspector General (IG) independently conducts audits and investigations of GAO programs and operations. During fiscal year 2017, the IG issued four audit reports. In OIG-17-1, the OIG assessed GAO controls for removing sensitive data from computers

and cell phones prior to their disposal. In OIG-17-2, the OIG reviewed controls to prevent or detect military reservist differential pay errors and overpayments and to collect any resulting debt. The OIG also performed a readiness review (OIG-17-3) to assess whether GAO complied with federal guidance and requirements for positioning the agency to report financial and payment data in compliance with the Digital Accountability and Transparency Act (DATA Act). Finally, the OIG reported (OIG-17-4) on the extent to which GAO had maintained efficient and effective accountability over personal property acquired with GAO purchase cards.

In addition, the IG operated a hotline for use by employees, contractors, and the public. The hotline is the 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. Complaints are converted to OIG investigations when the complaint contains credible allegations involving GAO operations or its employees, and the possible violation of law or regulation. Investigations can substantiate an allegation; find the allegation to be unsubstantiated; or conclude that insufficient evidence exists for criminal and/or administrative action. In fiscal year 2017, the IG initiated 13 investigations and closed 12 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.

Furthermore, our Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal control over financial reporting, 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 2017, 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.
- 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.
- Michael S. Helfer, former Vice Chairman of Citigroup Inc. Prior positions include partner and Chairman of the Management Committee of the law firm Wilmer, Cutler & Pickering. He is a member of the Council on Foreign Relations and the American Law Institute, and serves on the Boards of Banco Nacional de Mexico and Shakespeare & Company.
- Robert Mednick, former worldwide Managing Partner of Professional and Regulatory Matters of Arthur Andersen, past Chairman of the American Institute of CPAs, and serves on a number of civic and charitable organization Boards.

The [committee's report](#) appears in [Part III](#) of this report on [page 94](#).

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 2018 Performance Goals

For fiscal year 2018 GAO requested an appropriation of \$590.7 million, an increase of \$46.2 million or 8.5 percent over the fiscal year 2017 appropriation of \$544.5 million. Final decisions on our fiscal year 2018 appropriation are expected in the fall. In the interim, GAO is operating under a Continuing Resolution at slightly below the fiscal year 2017 funding level through December 8, 2017.

The House has passed a fiscal year 2018 budget at \$544.5 million, a budget equal to the fiscal year 2017 enacted level. The Senate has proposed a fiscal year 2018 appropriation of \$562.8 million, an \$18.3 million increase over the fiscal year 2017 enacted level. At both the House and Senate planned levels, GAO would experience FTE, mission, and operational related impacts, though the impact of the House level would be substantially more significant.

Historically, about 80 percent of GAO's budget is allocated to staffing. As a result, inadequate budget increases and flat or reduced budgets can have a dramatic impact on our staffing levels and ability to support the Congress and serve the American people. As an example, in fiscal year 2018 we would need an appropriation of about \$564 million to maintain our planned fiscal year 2017 staffing level of 3,000 FTEs and hold funding flat for infrastructure operations and engagement support.

While uncertainty about future funding levels does pose a risk to GAO and our ability to serve the Congress, we are confident our return on investment and continued ability to recommend sound improvements to government will win the day and solidify the need to maintain adequate funding, as was the case in fiscal year 2017. Our fiscal year 2018 request of \$590.7 million represents the first step of an honest effort to redress ongoing mission-related and administrative staffing shortages, tackle years-delayed infrastructure improvements of building, records, and IT legacy systems, and continue to find new ways to reduce operational costs and seek out new revenue streams.

Management Challenges

Internal Management Challenges

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's risk management 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.

Per the IG's Semi-annual Report to the Congress (April 1, 2017 - September 30, 2017), 3 OIG recommendations remain not fully implemented. GAO is continuing to make progress to address these recommendations. See OIG-18-1SP for additional information (http://www.gao.gov/about/workforce/ig_semiannual.html).

For fiscal year 2018, we will focus management attention on the following three challenges, which are summarized below:

- Managing a quality workforce
- Improving the efficiency of our engagements
- Providing secure information technology services in a constantly changing environment

Additional information on progress made and actions planned for the future can be found in [Part II](#).

CHALLENGE: Managing a Quality Workforce

More than 80 percent of GAO's budget goes toward its people; as a result, it is critical that we hire the right people, provide them with the right training, and retain them. GAO must maintain a skilled, engaged, and committed workforce in order to fulfill its

mission. We are expanding our previous human capital management challenge to more broadly encompass the activities necessary to achieving our workforce planning goals.

- **Acquire talent:** The nation's capital and the cities where many of our field offices are located are highly competitive job markets. We must follow a strategic approach to acquiring talent—for both our analyst cohort and the operations staff who support them—with critical skills that align with the needs of the agency and the competencies for the position in order to optimally deliver GAO's mission. We will continue to conduct comprehensive and integrated annual strategic workforce planning to ensure that a robust and diverse pipeline of talent is present across all levels of, and for all positions within, the organization.
- **Retain an expert, seasoned workforce:** Hiring people with the right skills is just the first step; we must also nurture and sustain our people throughout their careers with ongoing professional education and developmental opportunities to optimally leverage their experience, knowledge, and skills, and retain them. In addition to continuing to support our established training and mentoring programs, developing training that can be provided “at a distance” to meet the needs of an increasingly mobile workforce is a top priority.
- **Manage and engage a remote workforce:** Our many workplace flexibilities, including telework, provide employees opportunities to balance work and life demands while meeting agency and mission needs. While telework has been a part of our work culture for many years, we recognize

its challenges—such as acculturating new employees, maintaining a feeling of connectedness and collaboration among all staff, ensuring accountability, and providing the technological tools necessary for effective telework—and are dedicated to addressing them in a comprehensive manner.

In fiscal year 2018, we will pursue a unified communications tool (UCT) to address a recommendation from our internal telework evaluation to re-examine and make enhancements to our collaboration tools. UCT will bring all of the communication tools employees rely on to do their jobs under one “roof,” providing a seamless collaboration platform for email, instant messaging, desktop sharing, and audio and video conferencing that will be accessible anywhere, anytime. Finally, we will continue to develop and implement appropriate methodologies to evaluate and address the effects of telework on GAO’s teamwork orientation and collaborative work environment within a risk management framework at all levels of the organization.

- **Continually sustain an inclusive work environment:** We are committed to creating and maintaining an organization where every employee feels valued, respected, treated fairly, and is given every opportunity to enrich the work of GAO through their unique skills, talents, and life experiences. As a recognized leader for our support of diversity by the Partnership for Public Service, we are dedicated to supporting activities and initiatives that engage employees in conversations about the many ways we are connected, and the barriers that can separate us. To this end, in fiscal year 2017, GAO created a new executive-level position in support of GAO’s efforts around diversity and inclusion, including the roll-out of GAO’s people values, to further highlight our

belief that our diversity is critical to our strength and success.

CHALLENGE: Improving the Efficiency of Our Engagements

We are continually looking for ways to produce our products and analyses more quickly and efficiently without sacrificing quality. Bringing efficiency to all of our processes, particularly in the areas of technology and change management, is an ongoing management priority and challenge.

Identifying, procuring, and deploying the right technology to most effectively and efficiently do our work within budget is an ongoing challenge. In the area of technology, we completed an agency-wide transition this year to our new corporate engagement management system, allowing us to retire three legacy systems.

We are also building sufficient capability in a new system to support our report writing, quality assurance, review, and publishing processes and plan to pilot it in early fiscal year 2018. In addition, we created a more expansive process for identifying high-priority agency needs for improved or new technology support that has led to a better understanding of needs among our senior leadership team and improving our ability to identify related needs that could be addressed through common solutions. Challenges remain in continuing to replace outdated systems with modern, integrated solutions and to simplify our overall systems profile supporting engagement work.

In the area of change management, we continued to conduct extensive outreach with the analyst community and management as we deployed an agency-wide transition to updated engagement management procedures and the new corporate system that supports them. We also expanded the outreach conducted on our new content creation system by

providing demos and briefings to mission teams and other units. In addition, we expanded outreach and communications on project management, most notably with our managers, through required training on how they should be supporting analysts applying the principles, job aids, and techniques we are teaching. Challenges remain in addressing underlying organizational culture issues needed to fully realize the benefits of these new systems, processes, and approaches.

CHALLENGE: Providing Secure Information Technology Services in a Constantly Changing Environment

Providing the full breadth of secure technology solutions to users across all of GAO continues to be a challenge, as it is for every federal agency. The Information Systems and Technology Staff (ISTS) within GAO are constantly working to provide highly available systems on a modern technology platform in an ever-changing environment while also securing them from possible threats. In addition, ISTS has recently rolled out new technological solutions for key business processes and continues to develop systems and processes to enable our work. Providing the full range of agency-level functions and requirements within a tight budget environment is a challenge we work every day to meet.

Given the escalating and emerging threats from around the globe, and the steady advances in the sophistication and the destructiveness of cyberattack technology, information security will continue to be a management challenge for GAO and for all government and private sector entities for the foreseeable future. To monitor, detect, and respond to inappropriate access to computer resources, we have established a layered approach to information security, forming security building blocks for basic authentication and access controls. Most malicious activities target the end-user as a point of compromise; therefore, we

have implemented robust monitoring and detection of malicious activities at the desktop along with strong network access controls. As threats continue to evolve, we will continue to pursue advanced technologies to protect our information and information systems.

We continue to place a high value on protecting our assets, data, and systems, while providing a robust computing capability to meet our business needs. We have implemented current technology and are planning for the future with upgrades to our current infrastructure that will provide greater support to its availability and support for contingency operations. ISTS is evaluating Cloud Services that can complement or extend our current contingency capabilities and is planning key investments and upgrades to improve contingency capabilities.

Recently, GAO deployed a new agency-level system for managing its engagements and tracking their progress. This effort was successful because we employed a disciplined system development strategy that included technology solutions that align with our mission, and a strong change-management-based implementation roll-out.

In addition, we have worked diligently to manage key program risks through regular project and program reviews and to make adjustments when necessary. We are currently working to deploy new systems to manage the publication of GAO's products and receive procurement bid protests. We are also transitioning to a new GAO-wide financial management system. These efforts are significant, and their success will require that we continue to manage the risks associated with these projects in a manner that ensures the right application of technology and effective change management procedures.

Mitigating External Factors

In addition to the resource constraints and budget uncertainty, which directly affect our internal management challenges, other external factors that could affect our performance and progress toward our goals include:

- Shifts in congressional interest.
- Modifications or repeals of outdated statutory requirements.
- Access to agency information.

Demand for our work is very high as demonstrated by the 739 congressional requests and new mandates in fiscal year 2017. The Comptroller General and other senior officials maintain frequent communication with our congressional clients to ensure that our work supports the highest congressional legislative and oversight priorities while recognizing that changing international and domestic events may affect priorities.

We continue to collaborate with the Congress to revise or repeal mandated reporting requirements which have, over time, lost relevance or usefulness. Specifically, we worked with the armed services committees to have three mandates repealed or revised in the 2017 National Defense Authorization Act (PL 114-328). In addition, in December 2016, the Congress passed the GAO Mandates Revision Act of 2016, which revised or repealed eight statutory reporting requirements (PL 114-301).

Another external factor that affects our ability to serve the Congress is the extent to which we have access to 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.

We reported previously that GAO had not been successful in gaining access to the Department of Health and Human Services' National Directory of New Hires as the result of the agency's view that access must be expressly provided for in the authorizing statute, notwithstanding GAO's broad and longstanding right of access to agency records.

In January 2017, the President signed the GAO Access and Oversight Act of 2017 into law, which confirmed GAO's right of access to this directory.¹¹ Access to this directory has greatly improved our ability to serve the Congress, by increasing our ability to oversee federal programs such as unemployment insurance, student loans, and the Supplemental Nutrition Assistance Program. This legislation will also facilitate GAO's work for the Congress, including in the high priority area of improper payments.

As we have previously reported, our successful 2015 discussions with the State Department and the U.S. Agency for International Development (USAID) resulted in both agencies implementing new practices that significantly improve our ability to obtain copies of documents deemed to contain Controlled Unclassified Information (CUI). Our ongoing monitoring efforts indicate both agencies continue to follow their new practices, which have greatly enhanced our ability to effectively and efficiently carry out our mission.

We have also reported for the past several years on our experiences in obtaining access from elements of the Intelligence Community (IC) pursuant to Intelligence Community Directive (ICD) 114, which was issued in 2011 by the Director of National Intelligence, in consultation with the Comptroller General. While ICD 114 generally provides for constructive interaction between GAO and the IC,

¹¹Pub. L. No. 115-3, 131 Stat. 7 (2017).

we continue to have concerns with how several key terms in the directive could be interpreted because they are framed as categories of information that would generally not be made available to us for certain audits or reviews.

As GAO's work reviewing activities of the IC continues to grow, we continue to monitor the IC's implementation of ICD 114 to ensure we are able to obtain the information we need to assist the Congress in its oversight responsibilities. In fiscal year 2017, we successfully worked through a number of access issues with various IC elements. However, working through such issues with the IC continues to require a significant amount of time and effort, and delays our work. GAO will continue to

monitor the implementation of ICD 114, and we remain committed to constructive engagement with the IC.

During the past year we have encountered significant difficulties in obtaining timely and efficient access to information from the Office of Personnel Management (OPM). While in the past OPM has generally been responsive in providing GAO access to information needed for our work, there have been long delays during the past year, particularly with regard to our access to Enterprise Human Resources Integration (EHRI) statistical data. We remain committed to resolving these issues and obtaining both timely and efficient access to all data needed for our work.

Part II

Performance Information



Source: GAO | GAO-18-2SP

Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2017 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 2017.



Source: GAO. | GAO-18-2SP

Strategic Goal 1

Address Current and Emerging Challenges to the Well-being and Financial Security of the American People

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.

Example of Work under Goal 1

In fiscal year 2017, we identified key services that help youth with autism transition from high school to adulthood (e.g., transition planning and job coaching), and which services school districts provide. Although districts generally reported beginning transition planning by age 16, we found benefits to starting earlier and recommended that the Department of Education study this issue. We also found that federal agencies could have collaborated more on related research, and recommended they do so. The agencies generally agreed. We continue to believe our recommendations merit action. ([GAO-17-352](#), [GAO-17-109](#))

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our [strategic plan](http://www.gao.gov/about/stratplanning.html), which is available on our website at <http://www.gao.gov/about/stratplanning.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.

To accomplish our work under these strategic objectives in fiscal year 2017, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies. As shown in [table 10](#), we exceeded the performance targets set for financial and other benefits for Goal 1, but did not meet the target for testimonies.

Table 10: Strategic Goal 1's Annual Performance Results and Targets

| Performance measure | 2012 actual | 2013 actual | 2014 actual | 2015 actual ^b | 2016 actual | 2017 target ^a | 2017 actual ^b | Met/not met | 2018 target |
|--|-------------|-------------|-------------|--------------------------|-------------|--------------------------|--------------------------|-------------|-------------|
| Financial benefits (dollars in billions) | \$25.7 | \$22 | \$15.5 | \$51.4 | \$19.6 | \$11.0 | \$22.4 | met | \$11.0 |
| Other benefits | 275 | 271 | 240 | 255 | 284 | 241 | 263 | met | 246 |
| Testimonies | 61 | 60 | 57 | 57 | 38 | 54 | 48 | not met | 48 |

Source: GAO. | GAO-18-2SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target for 2018 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.

^aOur fiscal year 2017 targets for all three of our performance measures differ from those we reported in our fiscal year 2017 performance plan in May 2016. Specifically, we decreased the financial benefits target from \$15.0 billion to \$11.0 billion, increased the other benefits target from 235 to 241, and decreased the testimony target from 62 to 54 (see [Setting Performance Targets](#)).

^bIn fiscal years 2015 and 2017, we achieved some unexpectedly large financial benefits; however, we do not expect this level of results in 2018.

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 11](#). This table indicates that the 4-year average for Goal 1 financial benefits increased from 2012 to 2013, decreased slightly in 2014, increased sharply in 2015, decreased slightly in 2016, and held steady in 2017. Goal 1's average other benefits increased gradually from 2012 through 2016 and held steady in 2017. The average number of times our senior executives were asked to testify has declined steadily since fiscal year 2012.

Table 11: Four-Year Rolling Averages for Strategic Goal 1

| Performance measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------|--------|--------|--------|--------|--------|
| Financial benefits (dollars in billions) | \$17.1 | \$19.5 | \$19.0 | \$28.7 | \$27.1 | \$27.2 |
| Other benefits | 244 | 256 | 257 | 260 | 263 | 261 |
| Testimonies | 79 | 73 | 66 | 59 | 53 | 50 |

Source: GAO. | GAO-18-2SP

The following sections describe our performance under Goal 1 for each of these three quantitative performance measures, and describe the targets for fiscal year 2018.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2017 totaled \$22.4 billion, exceeding the target we set by \$11.4 billion, due to several large financial accomplishments. These included the FCC's sale of spectrum licenses in March 2017 (\$7.3 billion) and reductions in DOD's TRICARE program payments for compounded drugs (\$1.9 billion). Other financial benefits contributing to this total included savings from our work that resulted in the elimination of direct payments to farmers, and increased premiums at the Pension Benefit Guaranty Corporation. We set the target for fiscal year 2018 at \$11.0 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

The Federal Housing Administration's (FHA) takes possession of thousands of homes as the result of foreclosures on borrowers who defaulted on FHA-insured mortgages. In 2013, we found that FHA's disposition practices for these foreclosed homes lagged the performance of other entities that dispose of foreclosed homes. In response to our recommendations, FHA improved how it sets initial list prices, increased in-person property inspections, and improved oversight of contractors disposing properties on its behalf. These improved practices helped FHA receive over \$714 million in higher property sales proceeds. ([GAO-13-542](#))

Other Benefits

Other benefits reported for Goal 1 in fiscal year 2017 totaled 263 exceeding our target of 241 by 22 benefits or about 9 percent. Many of Goal 1's other benefits were in the areas of public safety and security and program efficiency and effectiveness. For fiscal year 2018, we set our target at 246 for these other benefits based on what our Goal 1 teams expect to achieve based on past, ongoing, and expected work.

Example of Goal 1's Other Benefits

In 2017, we reported that the General Services Administration (GSA) is leasing some high-security space in buildings with foreign owners. This could present security risks (such as cyber intrusions) for tenant agencies. Agencies could mitigate those risks if they were aware of them, but we found that many were not. GSA is not required to identify and inform tenant agencies of foreign ownership, but we recommended that it do so. Legislation was introduced in May 2017 requiring GSA to identify foreign-owned buildings and inform tenants so they can enhance their security programs accordingly. ([GAO-17-195](#))

Testimonies

Our senior executives testified 48 times on our Goal 1 work, which fell short of the fiscal year 2017 target of 54 by 6 testimonies or about 11 percent. Among the topics on which we testified were the need for VA to improve its claims process for Gulf War Illness, the FBI and the Department of Justice (DOJ) to better ensure the privacy and accuracy of face recognition technology, the federal government to improve its management of Indian energy resources, and IRS to strengthen its oversight of the Low-Income Housing Tax Credit program. (See [fig. 22](#) for selected testimony topics by goal.) We set our fiscal year 2018 target at 48 testimonies on Goal 1 issues based on our experience over the past few years.

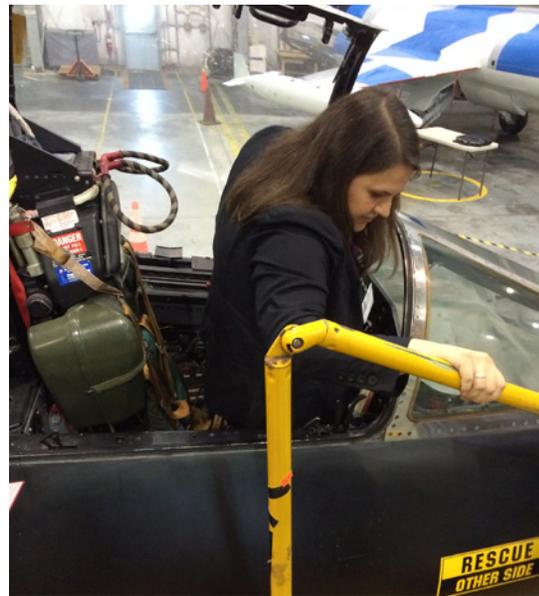
Example of Goal 1's Testimonies

The Veterans Health Administration (VHA) requires that its medical facilities have an inspection program to monitor how controlled substances are dispensed by staff. For example, inspectors check that opioids removed from dispensing machines by staff have a valid doctor's order and are administered to patients. In February 2017, we reported and testified that some VHA facilities did not follow all required procedures and some had skipped required inspections. For example, one of the four facilities we reviewed missed 43 percent of the required monthly inspections. We recommended that VHA ensure that its inspection program is in line with its policies, and establish procedures to prevent missed inspections. ([GAO-17-242](#), [GAO-17-442T](#))

Below are photographs of Goal 1 analysts conducting fieldwork. [Table 12](#) contains examples of Goal 1 accomplishments and contributions, which includes both financial and other benefits.



Analyst reviewing bus inspection process for the Los Angeles Unified School District during a review of school bus safety.



Analyst views aircraft proposed to support space activities.



Analyst inspects a pilot water system in a home in Kivalina, Alaska, during a review of Indian water infrastructure.



Analyst observes inspection at a Bureau of Land Management natural gas well site.

Source: GAO (four photos above). | GAO-18-2SP

Table 12: Goal 1 Accomplishments and Contributions

| Health Care Needs and Financing | |
|---|--|
| Improving Oversight of Foreign Drug Manufacturing Establishments | The Food and Drug Administration (FDA) inspects both domestic and foreign drug manufacturing establishments to ensure that drug quality is not harmed by poor processes. In 2008, we reported that FDA inspected foreign drug establishments much less frequently than similar domestic ones. We recommended FDA inspect more foreign establishments using a risk-based approach. In response, FDA increased its foreign inspections. In fiscal year 2015, FDA conducted more foreign than domestic inspections. In fiscal year 2016, FDA started with a combined list of foreign and domestic establishments and decided which ones to inspect based on risk. (GAO-08-970) |
| Improving Oversight of VA's Process for Providing Primary Care | On average, 380,000 veterans were newly enrolled in the Department of Veterans Affairs' (VA) health care system in each of the past 10 years. In March 2016, we found that some VA medical centers took several months to schedule newly enrolled veterans' requested primary care appointments, if they scheduled them at all. If veterans cannot access primary care, they are also unable to get specialty care. We recommended VA revise its primary care appointment request process and ensure VA medical centers implement it properly. As a result, in May 2016, VA revised its process and enhanced internal reports to improve oversight. (GAO-16-328) |
| Requiring Audits of Medicaid Managed Care Payments | Medicaid's managed care program allows states to pay a set rate per beneficiary instead of a fee for each service that the beneficiary receives. In 2014, we found that Medicaid's state and federal oversight entities were focusing on fee-for-service claims and not on managed care—so they were not well-positioned to identify improper payments in the managed care program. We recommended that the Centers for Medicare and Medicaid Services (CMS) require states to audit managed care payments. In 2016, CMS issued a final rule requiring this—reducing Medicaid's vulnerability to improper payments. (GAO-14-341) |
| Creating an Outreach Strategy for Female Genital Mutilation/Cutting Awareness Efforts | About 500,000 women and girls in the United States are at risk of or have been subjected to the practice of female genital mutilation/cutting (FGM/C). Multiple federal agencies are involved in outreach to educate communities about the issue and help prevent it. In 2016, we reviewed agencies' efforts to increase awareness of FGM/C and found no documented plans for current and future activities that could be shared among agencies and with stakeholders. We recommended that each agency develop and disseminate an outreach plan. In 2017, the Department of Homeland Security did so—enhancing its ongoing coordination with other agencies. (GAO-16-645) |
| Lifelong Learning | |
| Ensuring Safety and Health at Bureau of Indian Education Schools | Over the past 3 years, we issued several reports on challenges facing the Bureau of Indian Education (BIE) in ensuring the safety and health of students and staff at its 185 tribal school facilities. Specifically, not all schools were inspected annually, as required; and renovation projects were years behind schedule and over budget. We made many recommendations to improve BIE's safety program, inspections, and oversight. In 2017, we added tribal programs to our High Risk list. BIE ultimately inspected all facilities in fiscal year 2016. Also, the 2017 Consolidated Appropriations Act required BIE to implement our recommendations. (GAO-17-447 , GAO-17-587T , GAO-17-589T , GAO-17-421 , GAO-16-313) |

Benefits and Protection for Workers, Families, and Children

Facilitating Communication on Civil Rights from Local to National Level

The U.S. Commission on Civil Rights' (Commission) state advisory committees are composed of volunteer members who study and make recommendations on civil rights issues within their states. The Commission is required by law to have a committee in each state. For years, the Commission had trouble approving enough members to keep some committees running. We recommended that the Commission extend committee terms and it took steps to extend terms from 2 to 4 years. This will help the Commission reduce turnover and keep committees operational. This will also facilitate communication on civil rights issues from the local to the national level. (GAO-15-92)

Strengthening Oversight of the AbilityOne Program

The AbilityOne Program provides jobs to tens of thousands of individuals who are blind or have severe disabilities, hiring them to provide products and services to the federal government. The program accounts for billions of dollars in federal procurements. In 2013, we reported that the program suffered from limited oversight and the lack of strong standards made procurement funds vulnerable to potential fraud, waste, and abuse. To improve program operations and integrity, we recommended that the Congress consider establishing an Inspector General. In fiscal year 2016, the Congress amended the Inspector General Act of 1978 to include the AbilityOne Program. (GAO-13-457)

Supporting the Financial Security and Well-being of an Aging Population

Assisting Older Student Loan Borrowers

An increasing number of Americans over 50 have defaulted on their federal student loan debts. The government can recover this debt by withholding about 15 percent of the borrower's Social Security benefit—called an "offset"—to pay it. While Social Security benefits have increased with the cost of living, the threshold to protect benefits from offsets has not—leaving more of these borrowers with benefits below the poverty guideline. In 2016, we recommended that the Congress consider adjusting offset provisions to reflect changes in the cost of living. The Senate cited our findings, when it introduced legislation in 2017 to protect these borrowers. (GAO-17-45)

A Responsive, Fair, and Effective System of Justice

Updating Formal Policies on Mental Health Care for Federal Inmates

The Bureau of Prisons (BOP) is responsible for the care—including mental health care—and custody of about 187,000 federal inmates. In 2013, we reported that BOP's formal policies related to inmate mental health care were outdated, and that new requirements were only communicated by memo. We recommended that BOP update its formal policies. BOP issued two revised documents in response: one on enhanced standards of care for inmates with mental illness in 2014, and one updating its Psychology Services Manual in 2016. These revised policies better reflect current mental health care practices and standards for providing care to inmates. (GAO-13-1)

Housing Finance and Viable Communities

Improving SBA Workforce Planning

The Small Business Administration (SBA) helps Americans start, build, and grow businesses. In 2015, we found shortcomings in SBA's workforce planning. Specifically, it had not performed a skill gap assessment or developed a workforce plan. Taking these steps provides reasonable assurance that an agency workforce can effectively administer programs, meet strategic goals, and achieve its mission. We recommended that SBA take these steps. In response, SBA created a workforce plan for 2017-2020 that includes these critical elements—positioning the agency to more effectively fulfill its mission. (GAO-15-347)

Stable Financial System and Sufficient Consumer Protection

Enhancing SEC's Monitoring of FINRA's Municipal Securities Regulatory Activities

State and local governments can issue municipal securities to finance housing, education, and other projects. Once issued, broker-dealers can trade them on the secondary market. The Financial Industry Regulatory Authority (FINRA) regulates 98 percent of these broker-dealers. In 2012 we found that the Securities and Exchange Commission's (SEC) monitoring of FINRA activities was not frequent or thorough enough to support its oversight activities. We recommended and SEC agreed to routinely gather more information. In 2017, SEC asked FINRA to provide ongoing information on its regulatory activities to better support SEC's oversight efforts. ([GAO-12-265](#))

Improving SEC Personnel Management

SEC must be able to attract and retain a high-quality workforce to protect investors and oversee markets. In 2013, we found deficiencies in SEC's personnel management and recommended that SEC improve how supervisors recognize performance and evaluate personnel management activities and programs. Since then, SEC has (1) reviewed how supervisors address performance and (2) developed procedures for assessing all its personnel management activities and programs, including criteria for conducting the reviews. These actions will help SEC to better plan, sustain, and refine personnel management strategies. ([GAO-13-621](#))

Stewardship of Natural Resources and the Environment

Allowing for Billions of Dollars in Sales from the Strategic Petroleum Reserve

In 1975, the Congress established the Strategic Petroleum Reserve to help protect the U.S. economy from oil supply disruptions. In 2014, we found that changing market conditions have implications for the reserve—and recommended that the Department of Energy (DOE) reexamine the reserve's size. The Congress subsequently required DOE to assess the reserve and authorized it to sell 149 million barrels of reserve oil from 2017 through 2025 with proceeds going to the Treasury. Partly per our recommendation, DOE completed its review in 2016 and began selling oil in fiscal year 2017. Oil sales are expected to yield about \$8.2 billion through 2025. ([GAO-14-807](#))

Reducing Duplicative Application Requirements for Water Infrastructure

The Environmental Protection Agency (EPA) and USDA provide about \$4.3 billion annually for rural drinking water and wastewater infrastructure projects. In October 2012, we found that state and federal agencies had potentially duplicative application requirements—including for environmental reviews—that could increase costs and cause delays for applicants. We recommended that the federal agencies develop guidelines to improve coordination. In 2017, EPA and USDA issued best practices for interagency collaboration, with examples to improve coordination and reduce potential duplication of environmental reviews. ([GAO-13-111](#), [GAO-10-216](#))

Addressing the Deferred Maintenance Backlog for Indian Irrigation Projects

Water is scarce in much of the western United States, so irrigation is critical to agriculture there. The Bureau of Indian Affairs' (BIA) irrigation program has more than 15 aging irrigation projects, such as water storage and delivery systems. Insufficient funding has led to a backlog of deferred maintenance on these projects. In 2006, we reported that the long-term direction of the program depended on resolving project management and financial sustainability issues. In 2015, we testified that these issues were still unresolved. In response, the Congress passed the IRRIGATE Act in 2016, in part to create a fund for addressing deferred maintenance. ([GAO-15-453T](#), [GAO-06-314](#))

Viable National Infrastructure

Improving Accountability over Department of Transportation Grant Programs

The Department of Transportation's (DOT) discretionary grant programs fund projects such as improving a transit system's disaster resilience. In 2016, we found that DOT faced challenges in these programs, such as not documenting key decisions. For example, in one program, DOT did not document how it addressed reviewers' concerns that funded projects were outside of the program's scope—calling into question whether the concerns were ever addressed. To help ensure the integrity of future DOT grants, we recommended that DOT issue a department-wide directive requiring documentation of key decisions and how concerns are addressed. DOT concurred and is taking steps to do so. ([GAO-17-20](#), [GAO-14-628R](#))

Informing the Debate on Restructuring the Air Traffic Control System

For decades, aviation stakeholders have debated whether the Federal Aviation Administration (FAA) should be the entity that operates and modernizes the nation's air traffic control system. In 2016, we reported experts' and stakeholders' views that needed to be considered if the Congress decides to remove that responsibility from FAA. These include organizational issues affecting both the air traffic control entity and FAA; funding approaches for an air traffic control entity; and transition time to develop legislation and estimates of related costs. We also identified lessons learned from other countries. ([GAO-17-131](#), [GAO-16-386R](#))

Improving Courthouse Security Coordination

In federal courthouses, the potential interaction of prisoners, judges, and the public creates many security challenges. The federal judiciary, U.S. Marshals Service, Federal Protective Service, and General Services Administration must coordinate to address courthouses' unique security concerns. In 2017, we reported on continued coordination problems, including limited information-sharing and security responsibilities that were fragmented across agencies. We also found that they did not meet routinely and recommended that the related agencies establish a national level working group to address courthouse security challenges. The agencies concurred. ([GAO-17-215](#))

Source: GAO. | GAO-18-2SP



Source: U.S. Air Force. | GAO-18-2SP

Strategic Goal 2

Respond to Changing Security Threats and the Challenges of Global Interdependence

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 complex and rapidly evolving security environment facing the United States includes cyber attacks, terrorist activities, and instability in key regions of the world. Given the importance of these issues, 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](http://www.gao.gov/about/stratplanning.html), which is available on our website at <http://www.gao.gov/about/stratplanning.html>.

Example of Work under Goal 2

The security of the information systems and electronic data supporting federal operations and the nation's cyber critical infrastructure is vital to the nation's safety, prosperity, and well-being. Identifying information security as a government-wide High-Risk area 20 years ago, we have been at the forefront informing the Congress of the need for effective cybersecurity. Between 2015 and 2017, we issued 64 reports, made 1,215 recommendations, and testified at 14 hearings to keep the Congress apprised of ways agencies can improve the security of these systems and data—enhancing congressional oversight of the nation's cybersecurity posture. ([GAO-17-668](#), [GAO-17-553](#), [GAO-17-395](#), [GAO-17-317](#), [GAO-17-163](#))

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.

To accomplish our work in fiscal year 2017 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 13](#), we exceeded the performance targets for financial benefits and other benefits for Goal 2, but did not meet the target for testimonies.

Table 13: Strategic Goal 2's Annual Performance Results and Targets

| Performance measure | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target ^a | 2017 actual ^b | Met/not met | 2018 target |
|--|-------------|-------------|-------------|-------------|-------------|--------------------------|--------------------------|-------------|-------------|
| Financial benefits (dollars in billions) | \$13.4 | \$21.4 | \$25.7 | \$13.1 | \$13.0 | \$12.7 | \$46.5 | met | \$12.7 |
| Other benefits | 513 | 488 | 535 | 505 | 502 | 334 | 500 | met | 345 |
| Testimonies | 54 | 30 | 40 | 23 | 43 | 32 | 21 | not met | 31 |

Source: GAO. | GAO-18-2SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target for 2018 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.

^aOur fiscal year 2017 targets for all three of the performance measures differ from those we reported in our fiscal year 2017 performance plan in May 2016. Specifically, we increased the financial benefits target from \$11.1 billion to \$12.7 billion, decreased the other benefits target from 358 to 334, and decreased the testimonies target from 35 to 32.

^bIn fiscal year 2017, we achieved one unexpectedly large financial benefit; however, we do not expect this level of results in 2018.

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 14](#). This table indicates that the 4-year average for Goal 2 financial benefits increased from fiscal year 2012 through 2014, declined in 2015, and held steady in 2016, and increased sharply in 2017. Goal 2's average other benefits increased steadily from fiscal years 2012 through 2015, and held steady in 2016 through 2017. The average number of testimonies for Goal 2 has declined steadily since 2012.

Table 14: Four-Year Rolling Averages for Strategic Goal 2

| Performance measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------|--------|--------|--------|--------|--------|
| Financial benefits (dollars in billions) | \$18.1 | \$20.3 | \$21.6 | \$18.4 | \$18.3 | \$24.6 |
| Other benefits | 465 | 473 | 496 | 510 | 508 | 511 |
| Testimonies | 57 | 48 | 43 | 37 | 34 | 32 |

Source: GAO. | GAO-18-2SP

The following sections describe our performance under Goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2018.

Financial Benefits

The financial benefits reported for Goal 2 in fiscal year 2017 totaled \$46.5 billion, which was well over our \$12.7 billion target. This was due primarily to one large financial benefit of \$36 billion from improvements to DOD's weapon systems acquisition process and the method DOD uses to estimate its bulk fuel costs. We set our fiscal year 2018 target at \$12.7 billion based on what our Goal 2 teams believe they can achieve based on past, ongoing, and expected work.

Example of Goal 2's Financial Benefits

In April 2017, we reported that the Navy's plans for a new frigate—a ship based on a modified Littoral Combat Ship (LCS) design—required a premature commitment of a potential \$9 billion. We recommended that the Navy delay its summer 2018 award plans for the lead frigate until at least fiscal year 2019, when cost estimates would be completed, detailed design would be under way, and improved knowledge would be available on LCS capabilities relevant to the frigate. In May 2017, the Navy—citing the need to ensure a mature frigate design—delayed the contract award until fiscal year 2020, saving about \$1.4 billion in the near term. ([GAO-17-323](#))

Other Benefits

The other benefits reported for Goal 2 in fiscal year 2017 totaled 500 and exceeded our target of 334 by 166 benefits, or about 50 percent. Many of Goal 2's other benefits were in the areas of public safety and security, acquisition and contract management, and business process and management. We set our fiscal year 2018 target at 345, which is well below our fiscal year 2017 actual performance, but what our Goal 2 teams expect to achieve based on past, ongoing, and expected work.

Example of Goal 2's Other Benefits

Since the Islamic State of Iraq and Syria (ISIS) emerged as a global threat, the United States has developed a strategy and taken actions to counter the group. In a 2017 report, we highlighted nine key issues for oversight, including assistance to Iraqi security forces and Syrian opposition forces; humanitarian, governance, and stabilization assistance; and efforts to counter ISIS's global spread and protect the U.S. homeland. This report will help inform the administration and help the Congress plan its oversight agenda and make decisions regarding billions of dollars in funding to counter ISIS and its effects. ([GAO-17-687SP](#))

Testimonies

Our senior executives were asked to testify 21 times on our Goal 2 work in fiscal year 2017—falling short of our target of 32 testimonies by 11, or about 34 percent. Goal 2 testimony topics included strengthening U.S. cybersecurity capabilities, observations on challenges facing Navy readiness, addressing border security threats, enhancing controls over DOD excess property, and addressing critical acquisition decisions for the Littoral Combat Ship and frigate. (See [fig. 22](#) for selected testimony topics by goal.) We have set our fiscal year 2018 testimony target at 31 based on our recent experience.

Example of Goal 2's Testimonies

The Navy wants to grow its fleet by as much as 30 percent but continues to face challenges with manning, training, and maintaining its existing fleet. In 2017, we testified on our body of work regarding Navy readiness. Specifically, we have found (1) degraded readiness of ships homeported overseas, (2) reduced crew size contributing to sailor overwork and safety risks, (3) reduced or deferred maintenance due to high operational demands. These factors, among others, have resulted in declining ship conditions and a worsening trend in overall readiness. Addressing these readiness problems will require implementation of our related recommendations. ([GAO-17-809T](#), [GAO-17-798T](#))

Below are photographs of Goal 2 analysts conducting fieldwork. [Table 15](#) provides examples of Goal 2 accomplishments and contributions, which includes both financial and other benefits.



Analysts observe neighboring vessel during a review of the U.S. Maritime Administration's Ready Reserve Force (Military Sealift Command) in Benecia, California.



Analyst documents structure damage at Aviano AFB, Italy during a review of overseas climate change adaptation.



Analyst documenting shelter improvements in Tripoli, Lebanon, during a review of humanitarian assistance to Syrian refugees.



Analyst inspects inventory in Save the Children warehouse in Chajul, Guatemala.

Source: GAO (four photos above). | GAO-18-2SP

Table 15: Goal 2 Accomplishments and Contributions

| Protect and Secure the Homeland | |
|---|---|
| Advancing Analysis of the Terrorism Risk Insurance Market | Insurers largely stopped covering terrorism risk after September 11, 2001. A Treasury program in which the government and the private sector share terrorism losses was established in 2002 to help ensure coverage remained available. In May 2014, we found that comprehensive data about the terrorism insurance market were not available. Therefore, we recommended that Treasury collect data to help estimate potential losses and improve the program. Consistent with our recommendation, Treasury has begun requiring insurers to annually submit data on terrorism insurance policies, such as premiums and location of coverage. (GAO-14-445) |
| Improving Information Security at the Food and Drug Administration | FDA relies extensively on information technology systems to collect, process, and maintain highly sensitive data. In 2016, we found that FDA had many program- and system-specific weaknesses—jeopardizing its information and information systems. We made 15 recommendations to FDA to implement its information security program and 166 recommendations to correct system-specific control weaknesses. In 2017, FDA began to document security policies, test security controls annually, strengthen password controls, and expand security monitoring capabilities—improving many aspects of its information security program. (GAO-16-513 , GAO-16-512SU) |
| Documenting Rationale for International Air Marshal Deployment Decisions | The Federal Air Marshal Service (FAMS) deploys air marshals to protect the nation’s civil aviation system from terrorism and other threats. In May 2016, we found that FAMS did not document the reasons why air marshals were deployed to specific international routes, and recommended that they do so. Documenting the basis for air marshal deployment decisions permits oversight and helps ensure that the decisions are based on appropriate intelligence and risk. FAMS began regularly documenting the rationales for these decisions in the summer of 2016. Per a senior FAMS official, this has allowed FAMS to analyze deployment changes over time. (GAO-16-582) |
| Addressing Security Weaknesses at the Federal Communications Commission | In 2011, FCC discovered a breach on its agency network, potentially compromising sensitive data. In response, it changed the network architecture and deployed a malware protection system as the first parts of its Enhanced Secured Network project. In 2013, we reported that FCC had deployed these program parts with significant security control weaknesses and made related recommendations. Based in part on our findings and recommendations, FCC retired the project and moved data back to its network—mitigating data risks and avoiding maintenance costs of about \$11.5 million for fiscal years 2014 through 2018. (GAO-13-155) |
| Reducing Risks to Officer Safety | When federal, state, or local law enforcement agencies conduct events such as raids, they can enter information about them into a “deconfliction system” to see whether another agency is operating nearby. Conflicts in the field are a safety risk for officers. In 2013, we reported that the Office of National Drug Control Policy (ONDCP) and DOJ supported three systems that were not all connected—so officers using one system would not be notified about events in another system. We recommended that ONDCP develop milestones to make the three systems interoperable. In response, ONDCP and DOJ fully integrated the systems. (GAO-13-471) |

| | |
|---|--|
| Improving Fraud Training for Asylum Officers | People who have been persecuted or fear persecution in their own countries can seek refuge in the United States by applying for asylum. In December 2015, we reported on the Department of Homeland Security’s limited ability to detect fraud in asylum applications. We found that U.S. Citizenship and Immigration Services (USCIS) offered its asylum officers limited training on fraud and recommended that it provide more. In response, USCIS developed and delivered new fraud training in 2016, which should help ensure that asylum officers have the skills to detect fraud in applications. (GAO-16-50) |
|---|--|

Military Capabilities and Readiness

| | |
|--|--|
| Developing Cost Estimates and Plans for Marine Corps Asia-Pacific Realignment | About a quarter of the U.S. military bases in Japan are on the island of Okinawa. As DOD realigns its presence in the Asia-Pacific region, it plans to relocate 9,000 Marines from overburdened Okinawa to Guam, Hawaii, and the continental United States, putting some on rotational duty in Australia. In 2012, DOD estimated that the relocations would cost about \$12.1 billion, and we found that estimate to be unreliable. We recommended that DOD improve the estimate, update the Congress annually, and share unit movement updates with family housing officials. DOD has implemented these recommendations. (GAO-13-360) |
|--|--|

| | |
|--|---|
| Improving Agency Coordination for Pandemic Preparedness | A pandemic is the spread of an infectious agent between humans and across international borders. The Army estimates that if a severe pandemic hit, U.S. fatalities could be nearly double those of all U.S. battlefield deaths since the American Revolution. The military’s capabilities could be impaired if a large number of its personnel are sick or absent. In 2017, we recommended that DOD, the Department of Health and Human Services, and the Department of Homeland Security use existing coordination mechanisms to improve preparedness and response to a pandemic if DOD’s capabilities are limited—they all agreed. (GAO-17-150) |
|--|---|

| | |
|---|---|
| Integrating Intelligence Input and Data into Major Weapon Systems Acquisitions | DOD expects to invest \$1.6 trillion acquiring 80 major weapon systems, many of which need intelligence input during development and use intelligence data to perform missions once deployed. Intelligence mission data can, for example, enable sensors to identify threats. Advanced weapon systems have increased the demand for this data, but in 2016, we found that DOD did not (1) certify or train the intelligence personnel informing acquisitions, (2) identify the types of data it needs most, or (3) have the information it needed for two new intelligence tools. We recommended related improvements and DOD agreed. (GAO-17-10) |
|---|---|

| | |
|---|---|
| Assessing the Risk of Army Force Reductions to Reduce Future Costs | In 2011, DOD announced cost saving initiatives and the Congress set limits on defense spending. As of 2014, the Army planned to reduce its personnel maximum (“end strength”) to 980,000 soldiers by fiscal year 2018—an almost 12 percent cut since fiscal year 2011. In 2016, we reported that the Army prioritized retaining combat units over support units, but did not assess the risks; we recommended regular mission risk assessments. In response, the Army assessed risk and adjusted its force structure plans accordingly for fiscal years 2019 through 2023—reducing future costs by about \$746 million through fiscal year 2021. (GAO-16-327) |
|---|---|

| | |
|---|--|
| Improving DOD's Method for Setting Its Standard Fuel Price | DOD sets the fuel price it will charge its components each fiscal year—almost a year before it buys the fuel. In 2014, we found that DOD's price-setting method did not reflect market conditions and recommended change. DOD used a new method for its fiscal year 2016 fuel price, but we found that the data it used were not valid or reliable. Per our recommendation, DOD updated its method again—reducing its 2017 fuel budget request by about \$3.7 billion. We also found that DOD's funding request for fuel was still overestimated. Based on this, the Congress further reduced DOD's funding by about \$1.2 billion. (GAO-16-78R) |
| Identifying Best Practices to Improve Defense Innovation | DOD relies on innovative technologies to ensure the superiority of its weapon systems. However, it has often invested in moderate, “incremental” technology enhancements over developing truly innovative “disruptive” technologies. In 2017, we reviewed the practices eight leading companies use to produce innovation, finding that, unlike DOD, they separately managed their disruptive and incremental technology investments to avoid sacrificing future technological advantages in favor of near-term needs. We recommended that DOD adopt this practice. It disagreed, but we believe that the recommendation is valid. (GAO-17-499) |
| Improving Effectiveness of DOD Service Review Boards | In fiscal year 2016, DOD obligated about \$150 billion for contracted services and directed military departments to use service requirements review boards. Such boards review, validate, and approve requirements to help ensure that services are acquired efficiently. In 2017, we audited some commands and reported that they relied on existing contract review boards—which focus on individual service contracts—to review requirements. We concluded that DOD needed to clarify the purpose and timing of service requirements review boards. DOD agreed and the Congress has proposed action to require this. (GAO-17-482) |
| U.S. Foreign Policy Interests | |
| Informing Congressional Oversight of Key Issues Affecting U.S. Diplomatic Security | Terrorist attacks worldwide underscore the urgency of protecting U.S. diplomatic officials and their families overseas. As of August 2017, 24 of our 27 open priority recommendations for State were related to diplomatic security issues. In a 2017 special report, we highlighted 11 key issues, including physical security of diplomatic facilities, residences, and soft targets such as schools; security training compliance; and crisis and evacuation preparedness. This report will help the Congress set oversight agendas and budget priorities for further efforts to protect U.S. people, property, and information at diplomatic posts. (GAO-17-681SP) |
| Helping U.S. Agencies Assess How Trade Agreements Affect Federal Procurement | The United States participates with 57 countries in trade agreements allowing foreign firms to compete for government business. In February 2017, we found that the United States reported opening a greater percentage of its government procurement to foreign competition than its next five largest trade agreement partners combined. We found that deficiencies and inconsistencies in U.S. and foreign statistical reporting limited detailed comparisons and recommended improvements. Implementing our recommendations could help U.S. trade agencies assess the agreements' impact on U.S. federal procurement, as required by an April 2017 Executive Order. (GAO-17-168) |

**Strengthening
Accountability of
U.S. Aid to Foreign
Governments**

The U.S. Agency for International Development (USAID) provides certain aid funds directly to partner-country governments. In return, partner-countries are required to audit those funds. In 2015, we reported that partner-countries frequently submitted audit results late, which limits their usefulness. We recommended that USAID develop a strategy to increase on-time submissions. USAID agreed, developed a strategy, and took steps to implement it. For example, USAID modified a web-based audit management system and developed a standard operating procedure. USAID's efforts are expected to improve timeliness, thus enhancing oversight of these funds. ([GAO-15-377](#))

**Helping USAID Comply
with Reimbursement
Authority after Crises
Such as Ebola**

As Ebola spread in West Africa in 2014, USAID used already appropriated funds to counter the epidemic. The Congress later provided approximately \$2.5 billion to fund USAID's efforts and reimburse earlier expenditures. In 2016, we found that USAID's management of more than \$60 million of the reimbursed funds did not comply with requirements set by the Congress. We recommended ways USAID could better manage reimbursed funds, and USAID agreed to remedy noncompliance and improve guidance. These steps are expected to help ensure that USAID does not spend funds on reimbursements that the Congress has not authorized. ([GAO-17-35](#))

Source: GAO. | GAO-18-2SP



Source: Photodisc. | GAO-18-2SP

Strategic Goal 3

Help Transform the Federal Government to Address National Challenges

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/about/stratplanning.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, Physical Infrastructure, 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 the General Counsel.

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

Example of Work under Goal 3

In 2015, DOD discovered that one of its labs had inadvertently sent live anthrax to almost 200 other labs worldwide over 12 years. The lab's "inactivation" (removal of hazardous effects) of the pathogen was incomplete. In 2016, we found that both the science and the federal guidance around pathogen inactivation were limited and inconsistently implemented. We recommended that the Department of Health and Human Services and the Department of Agriculture develop guidance and help close gaps in the science. In 2017, they issued updated guidance and held a symposium on inactivation to help improve laboratory safety. ([GAO-16-642](#), [GAO-16-871T](#))

As shown in [table 16](#), we did not meet the performance target for financial benefits in fiscal year 2017, but exceeded the targets for other benefits and testimonies for Goal 3.

Table 16: Strategic Goal 3's Annual Performance Results and Targets

| Performance measure | 2012 actual | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 target ^a | 2017 actual | Met/not met | 2018 target |
|--|-------------|-------------|-------------|-------------|-------------|--------------------------|-------------|-------------|-------------|
| Financial benefits (dollars in billions) | \$16.7 | \$8.1 | \$13.30 | \$10.1 | \$30.8 | \$5.7 | \$5.0 | not met | \$3.9 |
| Other benefits | 652 | 555 | 513 | 526 | 448 | 370 | 517 | met | 410 |
| Testimonies | 41 | 22 | 30 | 26 | 37 | 23 | 29 | met | 23 |

Source: GAO. | GAO-18-2SP

Note: Financial benefits for goals 1 through 3 do not sum to the total agency-wide target for 2018 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.

^aOur fiscal year 2017 targets for two of our performance measures differ from those we reported in our fiscal year 2017 performance plan in May 2016. Specifically, we reduced the financial benefits target from \$8.9 billion to \$5.7 billion and increased the other benefits target from 362 to 370 (see [Setting Performance Targets](#)).

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 17](#)—which minimize the effect of an unusual level of performance in any single year. [Table 17](#) indicates that the 4-year average for Goal 3 financial benefits declined from 2012 to 2013, increased in 2014 through 2016 and declined in 2017. Average other benefits for Goal 3 have decreased steadily since 2012. The trend in the average number of testimonies on Goal 3 issues declined steadily between 2012 and 2014 and held steady from 2015 through 2017.

Table 17: Four-Year Rolling Averages for Strategic Goal 3

| Performance measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------|--------|--------|--------|--------|--------|
| Financial benefits (dollars in billions) | \$13.5 | \$10.9 | \$11.3 | \$12.1 | \$15.6 | \$14.8 |
| Other benefits | 650 | 630 | 587 | 562 | 511 | 501 |
| Testimonies | 44 | 37 | 33 | 30 | 29 | 31 |

Source: GAO. | GAO-18-2SP

The following sections describe our performance under Goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2018.

Financial Benefits

The financial benefits reported for Goal 3 in fiscal 2017 totaled \$5.0 billion, falling short of our target of \$5.7 billion. We have set our 2018 target at \$3.9 billion based on what our Goal 3 teams believe they can achieve given past, ongoing, and expected work.

Example of Goal 3's Financial Benefits

In a June 2015 meeting with IRS officials, we expressed concerns related to the unauthorized access of IRS's "Get Transcript" online service in 2014 and 2015. Fraudsters could use taxpayer account information stolen in that breach to file multiple fraudulent returns and receive refunds. In response, IRS changed its authentication and monitoring procedures for taxpayer accounts affected by the breach. According to IRS, as a result of our suggestion and the new authentication procedures it put in place, IRS prevented paying a total of \$480.2 million in fraudulent refunds in fiscal years 2015 and 2016. ([GAO-16-508](#))

Other Benefits

Other benefits reported for Goal 3 in fiscal year 2017 totaled 517, exceeding our target of 370 benefits by 147, which is about 40 percent. Many of Goal 3's benefits were in the areas of public safety and security, program efficiency and effectiveness, business process and management, and tax law administration. We have set our fiscal year 2018 target at 410 other benefits based on past, ongoing, and expected work.

Example of Goal 3's Other Benefits

The federal government invests more than \$80 billion annually in information technology (IT). The Federal Information Technology Acquisition Reform Act (FITARA) is intended to improve agencies' acquisition and management of IT. Between 2015 and 2017, we supported congressional efforts to measure FITARA implementation by preparing scorecards that tracked and scored agency actions to address FITARA requirements. As a result, the Congress held five hearings—increasing oversight of and attention to agencies' IT acquisitions and management. ([GAO-17-686T](#), [GAO-17-263T](#), [GAO-16-672T](#), [GAO-16-204T](#), [GAO-15-675T](#))

Testimonies

Our senior executives were asked to testify 29 times on topics related to this strategic goal in fiscal year 2017, exceeding our target of 23 testimonies by 6, or about 26 percent. Among the Goal 3 testimony topics covered were the nation's fiscal health; fragmentation, overlap, and duplication of federal programs and activities; our High-Risk List update, government-wide efficiency and effectiveness challenges; the 2020 census, improving the response to Zika virus outbreaks; and improving implementation of information technology reforms. (See [fig. 22](#) for selected testimony topics by goal.) For fiscal year 2018, we have set the testimony target at 23, based on our experience in recent years.

Example of Goal 3's Testimonies

VA established the Veterans Crisis Line in July 2007 to support veterans in emotional crisis. In May 2016, we reported that during our covert testing of the crisis line's text messaging system, we did not receive responses to 4 of our 14 text messages. We recommended that VA regularly test this system to identify and correct system errors promptly. In response, VA developed and implemented procedures in July 2016 to regularly test the text messaging system for errors—helping to ensure that veterans can reach crisis line responders in a timely manner. ([GAO-17-545T](#))

Table 18 provides examples of Goal 3 accomplishments and contributions, which include both financial and other benefits.

Table 18: Goal 3 Accomplishments and Contributions

| Analyze Government's Fiscal Position | |
|---|--|
| Improving Information on Higher Education Tax Benefits | Each year, educational institutions tell students how much they paid in tuition and fees so they can claim tax benefits like the American Opportunity Tax Credit and report that information to IRS. In 2009, we found that confusing information led some students to claim more than they were entitled to. We also found that IRS was not using the information to verify student claims and recommended it determine whether it could do so. In 2015, consistent with our recommendation, the Congress improved the reporting requirements to enable IRS to use the information—which should yield about \$290 million in fiscal year 2017. (GAO-10-225) |
| Improving Federal Financial Reporting and Controls | Our audits of key agencies' annual financial statements and the U.S government's consolidated financial statements in 2016 meaningfully improved federal financial controls and reporting. In response to our recommendations, IRS improved controls that detect and prevent loss or theft of sensitive taxpayer information in a secure data transfer system. Further, Treasury's Bureau of the Fiscal Service addressed our open recommendations and suggestions and 1) improved controls over information systems used to process federal debt transactions, and 2) made the consolidated financial statements and related disclosures clearer and more accurate. (GAO-17-283R, GAO-15-173, GAO-15-157) |
| Improving Oversight and Implementation of the DATA Act | The Congress passed the DATA Act of 2014 to improve the quality and transparency of trillions of dollars in annual federal spending, and mandated that we monitor its implementation. OMB and Treasury implemented our recommendations on clarifying requirements, utilizing agency implementation plans, and documenting procedures. In addition, the Council of the Inspectors General (IGs) on Integrity and Efficiency incorporated our suggestions on its guidance to IGs for performing related reviews and audits. Our work on the DATA Act will help decision making and oversight of federal spending. (GAO-17-496, GAO-17-460, GAO-17-156, GAO-17-282T, GAO-16-698) |
| Actively Managing Available Funds at the Department of State | Agencies have an obligation to actively manage their available funds including those that carry over from one year to the next. In 2015, we reported that State's available balances for Consular and Border Security Programs (CBSP) had exceeded targets in fiscal years 2012-2014. We recommended that State finalize a strategy for managing CBSP's balances, and continue efforts to reduce them. In response, State finalized a strategy in 2016 and began to reduce CBSP's balances. In fiscal years 2015 and 2016, available balances were closer to the targets by approximately \$342 million. (GAO-16-26) |
| Prevent Fraud, Waste, and Abuse | |
| Identifying Ineligible Medicare Providers and Suppliers | In June 2015, we found that thousands of Medicare providers and suppliers had listed questionable practice location addresses—such as a UPS store and a fast food franchise—in CMS's enrollment databases. We also found that CMS had reduced the amount of required independent verification for these addresses and recommended that it update its guidance to require more research on some practice addresses. In 2016, CMS updated its guidance to require a site visit for certain addresses—helping to prevent the listing of ineligible practice locations in Medicare enrollment databases. (GAO-15-448) |

| | |
|---|--|
| Improving Oversight of Alaska Native Corporation Firms | SBA's 8(a) Business Development Program is intended to help develop disadvantaged small businesses, including those owned by Alaska Native Corporations. In 2014, the 8(a) program obligated about \$4 billion to 344 such firms. In 2016, we reported weaknesses in the oversight and monitoring of 8(a) firms and recommended that SBA (1) ensure that its files on these firms meet documentation requirements, and (2) finalize plans to create an oversight group. In 2015 and 2016, SBA began taking steps during our review (based on our findings) and after our report was issued to enhance oversight through training on file documentation, and stood up a review unit. (GAO-16-113) |
| Improving Eligibility Verification for Federally Subsidized Health Care | In 2016, we reported that 9 of our 12 undercover applicants were approved for subsidized coverage under the Patient Protection and Affordable Care Act during a 2016 Special Enrollment Period (SEP)—a period allowing individuals to apply for health coverage after events such as losing essential minimum coverage or getting married. However, the 9 applicants provided either no documentation or fake documentation to support their SEP eligibility. Citing our report, CMS finalized regulations in June 2017, increasing pre-enrollment verification for certain SEPs to help limit coverage to eligible applicants. (GAO-17-78) |
| Improving How Inspectors General Determine Compliance with Improper Payment Laws | In May 2017, we reported that non-compliance with the Improper Payment Elimination and Recovery Act of 2010 (IPERA) remained at an all-time high, according to federal inspectors general (IGs). However, we also determined that the IGs were often inconsistent in their procedures for determining compliance. This inconsistency makes it hard to compare the results across government and from year to year. We recommended that OMB, in coordination with the IG community, provide additional guidance to improve IGs' determinations so they can be used to track agencies' progress in complying with improper payment laws. (GAO-17-484) |
| Using the Do Not Pay Working System to Prevent Improper Payments | Estimated federal improper payments exceeded \$144 billion across 112 programs in fiscal year 2016. OMB and Treasury established the Do Not Pay working system in 2011 to help prevent improper payments. In 2016, we reported on deficiencies in the web-based, centralized data matching system that limited its effectiveness. For example, the system lacked required databases, and OMB did not have a strategy or guidance to help agencies use the system. We made several recommendations to OMB and Treasury and a matter for congressional consideration to improve the use of the system. (GAO-17-15) |
| Improving How DOD Manages its Working Capital Funds | DOD manages working capital funds that annually finance over \$100 billion of goods and services supporting combat readiness. The cash balances in these funds should be managed to avoid deficiency spending or reduce budget requests. In 2016, we determined that some DOD working capital funds exceeded their maximum cash requirements. DOD was also carrying over excessive funds for services that were budgeted for but not completed, which led to inaccurate budget estimates. These findings helped improve congressional oversight of these funds, leading the Congress to reduce DOD's budget by \$486 million in fiscal year 2017. (GAO-17-465 , GAO-16-543) |

Major Management Challenges and Program Risks

| | |
|---|---|
| Helping Agencies Identify Mission-Critical Skills Gaps | Skills gaps across the federal workforce in such fields as cybersecurity can hinder progress toward government goals. In 2015, we reported on shortcomings in the general approach to identifying skills gaps, including not using workforce data early enough in the process to determine which skills gaps were most important to agencies' missions. In response, the Office of Personnel Management developed a new model for its process that included both government-wide and occupation-specific workforce data. Many agencies have adopted this model and, as a result, are better positioned to focus on filling their mission-critical skills gaps. (GAO-15-223) |
|---|---|

Ensuring Equitable Spending in a Program that Supports U.S. Manufacturing

Through the Hollings Manufacturing Extension Partnership program, the National Institute of Standards and Technology (NIST) enters into cooperative agreements with nonfederal organizations (centers) to support U.S.-based manufacturers. NIST awarded individual centers almost \$500 million through these agreements in fiscal years 2009-2013. In March 2014, we reported that NIST's awards did not account for variation in service demand or costs at each center and recommended revising award spending. In response, NIST recompleted agreements—resetting funding levels to better reflect manufacturing activity and the cost of services at each center. ([GAO-14-317](#))

Improving Management of Federal Data Center Consolidation

OMB wants 24 federal agencies to close thousands of data centers and save billions of dollars through the Data Center Optimization Initiative. Since 2011, we have reported that some agencies have not completed plans for closing their centers, and others have inconsistently reported resulting savings. We recommended that agencies address these weaknesses and their actions saved nearly \$3.0 billion in fiscal years 2011-2015. Our more recent work on this initiative led to agencies saving about \$340 million in fiscal year 2016. Our work has also helped to focus congressional, administration, and agency oversight. ([GAO-17-388](#), [GAO-16-323](#), [GAO-14-713](#), [GAO-13-378](#), [GAO-12-742](#))

Source: GAO. | GAO-18-2SP



Source: GAO. | GAO-18-2SP

Strategic Goal 4

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

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 four internal management challenges. The multiyear (fiscal years 2014-2019) 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 strategically targeted recruiting, hiring, reward, and retention 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](http://www.gao.gov/about/stratplanning.html), which is available on our website at <http://www.gao.gov/about/stratplanning.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 Learning Center, 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 7 on page 41, our internal operations for services and functions that help employees get their jobs done, improve the quality of their work life, and the IT tools they use to accomplish their work were rated by our staff with scores of 84 percent, 82 percent, and 74 percent, respectively. Below are photographs of Goal 4 staff and managers conducting internal operations in headquarters and the field. Table 19 provides examples of Goal 4 accomplishments and contributions.

Examples of Work under Goal 4

Engagement Management System (EMS). As we mentioned in our engagement efficiency management challenge, we completed the multi-year deployment of a new EMS in fiscal year 2017. This system provides analysts with access to real-time data on their engagements, offers managers better tools for monitoring engagement progress and costs, and maintains a strong foundation of internal controls.

Telework. In our ongoing effort to ensure an accountable, fair, and effective telework program, we continued to monitor program costs and savings, updated our telework application, created a Managing Directors' Advisory Board, and began the roll out of expanded telework in Headquarters, an initiative started in our field offices in 2012.



GAO Recruiting Event.



GAO Hispanic Liaison Group meeting discussing diversity event.



GAO staff celebrating diversity and Caribbean Heritage Month.

Source: GAO (three photos above). | GAO-18-2SP

Table 19: Goal 4 Accomplishments and Contributions

Improve Efficiency and Effectiveness

Improving How We Manage Our Work and Ensuring Client Satisfaction

Streamlining our engagement-related processes. As mentioned in our management challenges section, in fiscal year 2017, we completed the agency-wide transition to an updated corporate engagement management process, thus facilitating consistent engagement tracking and management. We also migrated all administrative and operations job codes to the new engagement management system, allowing for the integrated management of all the activities that we devote GAO resources to, and providing significantly enhanced reporting capabilities, including greater accuracy in estimating the resources needed to complete an engagement.

To further support our analysts in understanding the engagement management process, we continued to streamline and improve procedural-level guidance for staff via our internal “GAO Procedural Steps” website, added consolidated “need to know” information on managing special engagement cases, and began providing manager-centric guidance to make it easy for managers to find information most applicable to their role in the engagement process. For our managing directors, we created an electronic dashboard that monitors their team’s implementation of the engagement management process.

In 2015, we awarded a contract for New Blue, a software solution that will modernize how we create, review, approve, validate, distribute, and post our product content electronically. In 2016, we began to expand the prototype to encompass the full software system end-state for pilot testing.

Facilitating access to our work. To further engage our audiences, we launched a pilot of an online landing page called “Fast Facts”—a 650-character online introduction to a GAO report and a related visual element. Fast Facts supplements the online Highlights and PDF of the report. Since launching the pilot, we have released more than 300 Fast Facts, which significantly improved the user experience. For example, Fast Facts kept readers on GAO.gov nearly 70 percent longer for people on desktops and more than 600 percent longer for people on mobile devices. In the summer of 2017, GAO’s Executive Committee approved a GAO-wide rollout of Fast Facts, pending available resources.

We continued to actively post our findings on half a dozen social media sites, tailoring our information to the platforms and their audiences. Since its launch in 2014, the GAO WatchBlog has featured more than 500 blog posts on a wide range of topics. These posts are regularly cited or linked to by online news media, increasing the shelf-life and reach of our work. The WatchBlog has been viewed more than 235,000 times since its inception.

We crossed 16,000 Facebook “page likes,” a nearly 25-percent increase from last year. We also have more than 49,000 Twitter and more than 42,000 LinkedIn followers; 267,000 video views across YouTube and Facebook; and more than 3.2 million lifetime views of our Flickr images. We produced more than 40 podcasts this year, bringing our podcast library to more than 320 episodes. We piloted four episodes of a new “Big Bite,” a longer-format podcast that delves deeper into GAO’s report findings and recommendations, and we also produced our first video podcasts.

Managing our work. In fiscal year 2017, we continued to collaborate with the Congress to revise or repeal mandated reporting requirements which have, over time, lost relevance or usefulness. For example, we worked with the armed services committees to have three mandates repealed or revised in the 2017 National Defense Authorization Act (PL 114-328). In addition, in December 2016, the Congress passed the GAO Mandates Revision Act of 2016, which revised or repealed eight statutory reporting requirements (PL 114-301) ([GAO-17-604T](#)). This bill requires GAO to report annually, rather than every 60 days, on its oversight of the Troubled Asset Relief Program, a program that essentially ended in 2014.

Working with the Congress. Our Office of Congressional Relations partnered with GAO's Learning Center and other subject matter experts throughout GAO to develop and offer five courses to GAO staff on managing relationships with congressional clients. These courses are tailored to staff with different levels of responsibility and focus on recognizing our clients' needs and conducting our work responsive to those needs while maintaining independence.

Maintain and Enhance a Diverse Workforce and Inclusive Work Environment through Recruitment, Development, Retention, and Rewards

Strengthening strategies for hiring and retention, developing the workforce, managing and monitoring performance, and promoting an inclusive work environment

Hiring. Our talent management efforts focused on ensuring a ready pipeline of talent at all levels in GAO, with a continued emphasis on recruiting a diverse cadre of interns throughout the year who are eligible to be converted to entry-level positions after meeting performance expectations and within budgetary resources. For fiscal year 2017, operating in a fiscally conservative budget environment, we hosted 96 paid interns, and bolstered our entry-level analyst ranks by converting 74 interns to permanent positions.

Performance management and retention. We evaluated our existing salary structure and ranges through a compensation study to ensure we have a competitive and equitable market-based compensation system aligned with the labor markets in which GAO competes for talent. We will partner with our internal employee organizations to implement adjustments. To recognize and retain talent, we continued to support a range of programs, including student loan repayment, GAO Awards Program recognition, and expanded telework flexibilities.

Staff development. We continued to support employees at various levels with training on topics such as congressional appropriations and the federal budget, coaching, participation in virtual teams, and more. GAO's first new manager cohort completed its Leadership Development Program, a 2-year learning cycle that emphasizes effective leadership skills. We launched a new online mentoring system to connect employees with one another across the agency in the pursuit of ongoing, real-time, professional development.

Inclusive workplace. As a recognized leader in diversity and inclusion (D&I), GAO continued to enrich its D&I offerings by piloting a course titled Recognizing Ageism in the Workplace and hosting D&I summits that delved into bias awareness, gender identity, and the landscape of D&I at GAO. We also developed and rolled out three workshops - Crucial Conversations, StrengthsFinder, and Emotional Intelligence. Our managers were required to complete a Leadership and Inclusion course, structured to help deepen awareness and understanding of the dynamics of leadership and inclusion at the individual, group, and organizational levels.

Collaboration with internal employee organizations. In fiscal year 2017, the agency worked with the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE) Local 1921, to negotiate on a variety of initiatives including the following: multiyear annual adjustment agreement, multiyear performance-based compensation mechanism agreement, multiyear performance-based compensation mechanism percentage payout agreement, and GAO headquarters expanded telework agreement, to name a few. To help ensure consistent collaboration between the agency and IFPTE Local 1921, the parties meet on a weekly basis to discuss ongoing projects and concerns in addition to the negotiations sessions.

Expand Networks, Collaborations, and Partnerships

Enhancing Professional Accounting and Auditing Standards

In fiscal year 2017, we influenced the development and quality of important standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI). These international standards are used by over 190 countries. They articulate the proper conduct for government auditors around the world and increase the audit quality, professionalism, and credibility of supreme audit institutions. Over the past year, our efforts have assisted in the revision to a framework of professional pronouncements, which functions as a quality setting mechanism for future development of standards. We also provided meaningful comments that improved numerous other INTOSAI standards and documents.

Enhancing Information Sharing and Collaboration with Others to Expand Audit Knowledge

We led efforts to promote dialogue and action around critical accountability issues through conferences associated with one national and nine regional intergovernmental audit forums. In 2017, we supported 10 events with more than 1,164 attendees overall from the federal, state, and local levels of government. These events helped auditors better understand or improve government strategies around cybersecurity, improper payments, data analytics, and human capital planning.

GAO's foresight and environmental scanning capabilities also helped to support information sharing and collaboration over the past fiscal year. We emphasized the importance of environmental scanning as part of GAO's Priorities Framework Reviews, a program designed to ensure GAO's work reflects the highest priority issues with the greatest value to the Congress and the American people. In 2017, we worked with GAO teams as part of these reviews to help prioritize congressional outreach accordingly. We also led scenario planning sessions with GAO's senior executive corps to explore ways to help make GAO more agile and responsive to future challenges and opportunities.

We convened advisory groups and forums to guide our strategic and annual work planning and shed light on important emerging issues such as transit security, cybersecurity, improper payments, and artificial intelligence. In some cases, we operationalized feedback from advisory groups by organizing expert forums to better understand specific issues. For example, the Cybersecurity Forum was the product of one advisory group's recommendation to examine cyber issues more closely. In other cases, forums helped inform the direction and focus of GAO work products, as was the case with the Artificial Intelligence Forum.

We provided briefings to more than 220 international visitors from over 55 countries to help promote knowledge-sharing and good governance.

We enhanced domestic and international audit knowledge through the Center for Audit Excellence, which in fiscal year 2017 provided training and technical assistance services to 15 public sector organizations on topics including internal control, performance auditing, leadership and supervision, and report writing.

Human, Information, Fiscal, Technological, and Physical Resources

Proactively Protecting Physical and Information Security

We conducted a number of activities in fiscal year 2017 to ensure the safety of our employees and physical assets, both in Headquarters and in our field offices, and information security across GAO. To reduce the risk of loss or misuse of furniture or equipment issued to teleworkers, GAO has added these items to its asset management database. In Headquarters, we stood up a Facility Security Committee to perform critical tasks such as conducting security risk assessments, proposing security countermeasures, and increasing tenant-building management collaboration. We reconstructed Headquarters' secure area to provide additional Secret Internet Protocol Router Network (SIPRNet) workstations for employees working with classified information. We also rolled out two web-based training courses that reinforce policies and procedures for working with classified information and working with the Intelligence Community. We conducted

an internal analysis of GAO's privacy program to assess the management of personally identifiable information based on new OMB guidance and leading practices. During the year we maintained a 99-percent network connectivity uptime. We also transitioned to new technology to support GAO's data processing needs through upgrades with minimal disruption. We made progress determining and documenting requirements for contingency operations. GAO expects to update and complete its draft contingency plan, to include testing, in fiscal year 2018. We established an authoritative GAO software inventory to address the need to effectively identify and manage end-of-life issues.

Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains

Enhancing key business tools. Started in fiscal year 2016, we continued the migration of our financial management systems and operation to the Legislative Branch Financial Management System (LBFMS). Full operation is planned for fiscal year 2018, and is expected to improve the efficiency of GAO's financial management operations, resulting in significant cost savings.

Communicating internally with employees. Through our online employee feedback system, we received and responded to more than 270 employee suggestions and comments on a range of issues, ensuring a constructive and consistent dialogue between staff and management. Via our intranet, we published nearly 900 GAO "Notices" in fiscal year 2017; these Notices keep employees informed of upcoming events and training opportunities, updates to policies and procedures, time critical deadlines, and more. In its fifth year, our Financial Literacy program for employees remains strong, sponsoring or co-sponsoring over 15 seminars and workshops to help employees make informed financial decisions about topics such as buying a house, estate planning, financial planning basics, and more.

Improving Management of Key Administrative Processes

We continued to improve administrative operations by working closely with Chief Administrative Office units to refine metrics to demonstrate progress against goals, facilitate dialogue across units through data-driven monthly reviews, and deliver analytic tools. Through the monthly data-driven reviews, we collaboratively uncovered new insights into our administrative functions and, as a result, prompted actions to improve operations.

Source: GAO. | GAO-18-2SP

Part III

Financial Information



Source: Comstock. | GAO-18-2SP

From the Chief Financial Officer

November 15, 2017

I am pleased to present the U.S. Government Accountability Office’s financial statements for fiscal year 2017. Our financial statements, which are an integral part of our Performance and Accountability Report (PAR), received an unmodified “clean” opinion once again this year. This unmodified opinion along with our effective internal controls, demonstrate our sound stewardship of the taxpayers’ dollars entrusted to us.

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. Further, I am proud to report that our fiscal year 2016 PAR received a Certificate of Excellence in Accountability Reporting (CEAR) award from the Association of Government Accountants, an honor we have received since we first applied in fiscal year 2001.

For the first half of fiscal year 2017, GAO operated at the Continuing Resolution level, which presented human resource and operational challenges. Operating in this uncertain budget environment prompted GAO to reduce staffing and curtail spending on critical infrastructure investments and business process improvements. Once our full appropriation was approved in the second half of fiscal year 2017, we were able resume hiring efforts aimed at filling critical expertise needs, addressing institutional and leadership losses, and building towards our optimum staffing level of 3,250 full-time equivalents.

In addition to addressing succession planning concerns, GAO also made critical Information Technology (IT) improvements by investing in the New Blue product publishing system and a revamped network operations center. New Blue will provide the capability to deliver products in multiple formats, allowing greater flexibility in supporting Congressional needs

while the improvements to the network operations center provided GAO with much-needed upgrades to legacy networking systems.

In terms of security and building infrastructure, GAO continued conducting facility risk assessments, further consolidated headquarters building space to allow for increased rental income, and completed preliminary steps to move three field offices. Going forward, GAO will focus its efforts on building staffing levels toward the goal of achieving 3,250 full-time equivalents, maintaining current IT and infrastructure operations, investing in critical building and IT improvements, and continuing to explore further cost reduction measures and new revenue streams.

In keeping with our effort to continuously improve our operations, we undertook a significant endeavor this fiscal year to prepare to migrate to a new financial management system starting in fiscal year 2018. The migration to the Legislative Branch Financial Management System (LBFMS) aligns with the direction given by the House Budget Subcommittee on the Legislative Branch, to consolidate legislative branch financial operations. The LBFMS operates Momentum Release 7.4 as the integrated Financial Management System, and hosts the transaction processing system in a FedRAMP compliant, secure facility. Benefits from this migration include reduced operations and maintenance costs, integration of acquisition functions with financial postings, and leveraging Treasury's invoicing system. GAO has engaged a vendor to conduct financial management transaction processing services in the LBFMS and to provide Service Level Agreements and metrics of GAO's operations.

Through fiscal year 2017 our financial management systems and transaction processing continued to be supported by the Department of Transportation's Enterprise Services Center (ESC). ESC has been our shared service provider since fiscal year 2008 and we have valued their contributions to our sound financial operations and recordkeeping.

The GAO Financial Management & Business Operations office worked closely with ESC on multiple aspects of financial processing and reporting needs during fiscal year 2017, including mandates such as the Digital Accountability and Transparency Act of 2014 (DATA Act) reporting. The DATA Act requires that federal agencies report financial spending data in accordance with data standards established by the Department of Treasury and the Office of Management and Budget (OMB). The DATA Act requires federal agencies to disclose direct federal agency expenditures and link federal contract spending information to programs of federal agencies to enable taxpayers to track federal spending more effectively using USA Spending.gov. In accordance with the DATA Act, GAO began its successful quarterly reporting transmission to Treasury for the second quarter 2017 on April 28, 2017.

In the area of internal control, and consistent with the Federal Manager's Financial Integrity Act and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, we conducted an entity-wide assessment of risk and key controls of the agency's internal control system. This assessment was conducted to ensure that the agency complied with the *Standards for Internal Control in the Federal Government*. The Program Analysis and Operations office continued to review and test key business cycles, such as human capital/payroll, procurement, and disbursements to validate compliance, effectiveness and efficiency, and the integrity of financial data. Additionally, we reviewed the independent auditors' reports of our service providers so we

could proactively address any issues with the appropriate compensating controls. Based on these assessments, GAO has reasonable assurance that the internal control system over operations, reliability of financial reporting, and compliance with laws and regulations for fiscal year 2017 were operating effectively and that no material weaknesses were found in the design or operations of the internal control system.

Consistent with OMB guidance to implement an enterprise risk management (ERM) capability in fiscal year 2017, GAO continues efforts begun in fiscal year 2016. GAO is taking a maturity model approach to incorporate ERM activities into our existing governance structure. Under the direction of the Chief Risk Officers (CROs), our approach to ERM included: (1) updating the agency-wide risk profile developed in fiscal year 2016, and (2) integrating our assessment of internal control over operations, reporting, and compliance and fraud risk management. We established a Risk Management Council to advise the CROs on the adequacy of GAO's ERM program, including governance and structure, internal control over financial reporting, and fraud risk assessments. We have begun conducting fraud risk assessments for high profile programs, documenting the process for maintaining the Risk Profile, and drafting a Risk Appetite Statement.

To be an effective advocate for “good government,” our internal operations must be efficient, transparent, and accountable. We will continue to look for efficiencies throughout the agency to improve our operations, tools, and information available for our managers and staff to do their important work and maintain accountability. These ongoing operational improvements will 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 reporting, 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 accounting principles generally accepted in the United States of America. 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 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 2017 Performance and Accountability Report.



Michael A. Nemeroff
Chair
Audit Advisory Committee

Independent Auditor's Report



CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Comptroller General of the United States

In our audits of the fiscal years (FY) 2017 and 2016 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, 2017 and 2016, 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, 2017;
- GAO's financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act (FFMIA) as of September 30, 2017; and
- No reportable noncompliance for FY 2017 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, 2017 and 2016, 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, 2017.

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 (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S.; (2) preparing, measuring, and presenting the RSI in accordance with U. S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information

INDEPENDENT AUDITORS' REPORT (Continued)

with the audited financial statements and the RSI; (4) 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; (5) 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 Enterprise Risk Management and Internal Control* (OMB Circular A-123), and (6) providing its assertion about the effectiveness of internal control over financial reporting, based on its evaluation as of September 30, 2017. 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 auditing standards generally accepted in the U.S. and *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. 17-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 17-03).

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 respects.

INDEPENDENT AUDITORS' REPORT (Continued)

Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness¹.

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 U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements, noncompliance with which could have a 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, 2017 and 2016, 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, 2017, based on criteria established under FMFIA and OMB Circular A-123.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. 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 the Federal Accounting Standards Advisory Board (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

¹ 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)

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.

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, 2017. 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 system requirements, (2) applicable 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, 2017. Our opinion is based on criteria established under FFMIA for federal financial management systems.

INDEPENDENT AUDITORS' REPORT (Continued)**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, 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, noncompliance with which could have a material effect on the financial statements. 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, 2017, 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, 2017

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, 2017 and 2016

(Dollars in thousands)

| | <u>FY 2017</u> | <u>FY 2016</u> |
|---|-------------------------|-------------------------|
| Assets | | |
| Intragovernmental | | |
| Fund Balance with Treasury (Note 2) | \$77,658 | \$74,456 |
| Accounts receivable | 2,658 | 2,640 |
| Total Intragovernmental | <u>80,316</u> | <u>77,096</u> |
| Property and equipment, net (Note 3) | 25,477 | 26,197 |
| Other | 331 | 533 |
| Total Assets | <u><u>\$106,124</u></u> | <u><u>\$103,826</u></u> |
| Liabilities | | |
| Intragovernmental | | |
| Accounts payable | \$3,340 | \$2,868 |
| Federal employee benefits (Note 5) | 3,665 | 3,784 |
| FECA liability (Note 6) | 2,233 | 2,459 |
| Total Intragovernmental | <u>9,238</u> | <u>9,111</u> |
| Accounts payable and other | 5,852 | 7,030 |
| Salaries and benefits | 17,724 | 18,131 |
| Accrued annual leave (Note 4) | 31,770 | 31,572 |
| Actuarial FECA liabilities (Note 6) | 14,173 | 15,259 |
| Total Liabilities | <u>78,757</u> | <u>81,103</u> |
| Net Position | | |
| Unexpended appropriations | 26,079 | 29,706 |
| Cumulative results of operations | 1,288 | (6,983) |
| Total Net Position (Note 13) | <u>27,367</u> | <u>22,723</u> |
| Total Liabilities and Net Position | <u><u>\$106,124</u></u> | <u><u>\$103,826</u></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, 2017 and 2016
(Dollars in thousands)

| | <u>FY 2017</u> | <u>FY 2016</u> |
|---|-----------------|-----------------|
| Net Costs by Goal (Note 10) | | |
| Goal 1: Well-being / Financial Security of American People | | |
| Gross Costs | 221,589 | 216,467 |
| Less: reimbursable services | <u>(431)</u> | <u>(1,390)</u> |
| Net goal costs | 221,158 | 215,077 |
| Goal 2: Changing Security Threats / Challenges of Global Interdependence | | |
| Gross Costs | 152,202 | 156,617 |
| Less: reimbursable services | <u>-</u> | <u>-</u> |
| Net goal costs | 152,202 | 156,617 |
| Goal 3: Transforming the Federal Government's Role | | |
| Gross Costs | 163,188 | 157,861 |
| Less: reimbursable services | <u>(14,895)</u> | <u>(13,893)</u> |
| Net goal costs | 148,293 | 143,968 |
| Goal 4: Maximize the Value of GAO | | |
| Gross Costs | 15,180 | 17,627 |
| Less: reimbursable services | <u>-</u> | <u>(44)</u> |
| Net goal costs | 15,180 | 17,583 |
| Other Costs in Support of the Congress | | |
| Gross Costs | 33,909 | 34,105 |
| Less: reimbursable services | <u>(1,277)</u> | <u>(1,219)</u> |
| Net costs | 32,632 | 32,886 |
| Less: Reimbursable services not attributable to above cost categories (Note 7) | <u>(10,260)</u> | <u>(9,732)</u> |
| Net Cost of Operations (Note 9) | <u>559,205</u> | <u>556,399</u> |

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

Financial Statements
U.S. Government Accountability Office
Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2017 and 2016
(Dollars in thousands)

| | <u>FY 2017</u> | <u>FY 2016</u> |
|---|------------------|------------------|
| Cumulative Results of Operations, beginning of fiscal year | \$(6,983) | \$(262) |
| Budgetary Financing Sources - appropriations used | 549,132 | 527,113 |
| Other Financing Sources | | |
| Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 5) | 18,376 | 22,607 |
| Transfers In/Out | <u>(32)</u> | <u>(42)</u> |
| Total Financing Sources | 567,476 | 549,678 |
| Net Cost of Operations | <u>559,205</u> | <u>556,399</u> |
| Net Change | <u>8,271</u> | <u>(6,721)</u> |
| Cumulative Results of Operations, end of fiscal year | <u>\$1,288</u> | <u>\$(6,983)</u> |
| Unexpended Appropriations, beginning of fiscal year | \$29,706 | \$25,225 |
| Budgetary Financing Sources and Uses | | |
| Appropriations received | 544,506 | 531,000 |
| Appropriations transferred in (Note 11) | 1,000 | 600 |
| Appropriations permanently not available | (1) | (6) |
| Appropriations used | <u>(549,132)</u> | <u>(527,113)</u> |
| Total Budgetary Financing Sources and Uses | (3,627) | 4,481 |
| Total Unexpended Appropriations, end of fiscal year | <u>\$26,079</u> | <u>\$29,706</u> |
| Net Position | <u>\$27,367</u> | <u>\$22,723</u> |

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, 2017 and 2016
(Dollars in thousands)

| | <u>FY 2017</u> | <u>FY 2016</u> |
|---|--------------------------|-------------------------|
| Budgetary Resources (Note 11) | | |
| Unobligated balance, brought forward, October 1 | \$26,909 | \$32,882 |
| Recoveries of prior year unpaid obligations | 5,329 | 4,293 |
| Other changes in unobligated balances (+ or -) | 8,513 | 1,672 |
| Unobligated balance from prior year budget authority, net | 40,751 | 38,847 |
| Appropriations | 544,506 | 531,100 |
| Spending authority from offsetting collections | 32,023 | 24,184 |
| Total Budgetary Resources | <u><u>\$617,280</u></u> | <u><u>\$594,131</u></u> |
| Status of Budgetary Resources | | |
| New obligations and upward adjustments | \$581,021 | \$567,222 |
| Unobligated balance, end of year: | | |
| Apportioned, unexpired accounts | 700 | 3,721 |
| Unapportioned, unexpired accounts | 34,578 | 20,288 |
| Unexpired unobligated balance, end of year | 35,278 | 24,009 |
| Expired unobligated balance, end of year | 981 | 2,900 |
| Total unobligated balance, end of year | 36,259 | 26,909 |
| Total budgetary resources | <u><u>\$617,280</u></u> | <u><u>\$594,131</u></u> |
| Change in Obligated Balances | | |
| Unpaid Obligations: | | |
| Unpaid obligations, brought forward, October 1 | \$56,472 | \$51,389 |
| Adjustment to unpaid obligations, start of year: | | |
| New obligations and upward adjustments | 581,021 | 567,222 |
| Gross outlays (-) | (576,660) | (557,846) |
| Recoveries of prior year unpaid obligations (-) | (5,329) | (4,293) |
| Unpaid obligations, end of year | <u><u>\$55,504</u></u> | <u><u>\$56,472</u></u> |
| Uncollected Payments: | | |
| Uncollected payments from Federal sources, brought forward, October 1 (-) | \$(8,925) | \$(11,197) |
| Change in uncollected payments from Federal sources (+ or -) | (5,180) | 2,272 |
| Uncollected payments from Federal sources, end of year (-) | <u><u>\$(14,105)</u></u> | <u><u>\$(8,925)</u></u> |
| Obligated balance, start of year (+ or -) | \$47,547 | \$40,192 |
| Obligated balance, end of year (+ or -) | <u><u>\$41,399</u></u> | <u><u>\$47,547</u></u> |
| Budget authority and outlays, net | | |
| Budget authority, gross | \$576,529 | \$555,284 |
| Actual offsetting collections (-) | (34,357) | (27,633) |
| Change in uncollected payments from Federal sources (+ or -) | (5,180) | 2,272 |
| Recoveries of prior year paid obligations | 7,514 | 1,177 |
| Budget authority, net | <u><u>\$544,506</u></u> | <u><u>\$531,100</u></u> |
| Outlays, gross | \$576,660 | \$557,846 |
| Actual offsetting collections (-) | (34,357) | (27,633) |
| Outlays, net | <u><u>\$542,303</u></u> | <u><u>\$530,213</u></u> |
| Distributed offsetting receipts (-) | (84) | (39) |
| Agency outlays, net | <u><u>\$542,219</u></u> | <u><u>\$530,174</u></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 services and rental income. The revenue from 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.

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 Statement 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, August 15, 2017).

Intragovernmental Assets

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

Fund Balance with Treasury

The Treasury processes GAO's receipts and disbursements. Fund Balance with Treasury represents appropriated funds from which GAO is authorized to incur obligations and liquidate liabilities.

Accounts Receivable

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

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. 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 entities and commercial vendors for goods and services received. The balance presented includes accounts payable recorded through normal business activities, as well as an estimate of unbilled payables based on historical data.

Federal Employee Benefits

GAO recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to GAO. The pension expense recognized in the financial statements equals the current service cost for GAO's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of the plan, supplies GAO with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by GAO and employees represents the amount being financed directly through the Civil Service

Retirement and Disability Fund administered by OPM. This amount is considered imputed financing to GAO (see [Note 5](#)).

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 6](#)).

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. Fund Balance with Treasury

GAO's funds with the Treasury consist of only appropriated funds. The status of these funds as of September 30, 2017, and September 30, 2016, is as follows:

Dollars in thousands

| | 2017 | 2016 |
|--|-----------------|-----------------|
| Fund Balance with Treasury | <u>\$77,658</u> | <u>\$74,456</u> |
| Status of Fund Balance with Treasury | | |
| Unobligated Balance | | |
| Available | | |
| Unapportioned authority | \$34,578 | \$20,288 |
| Apportioned authority | 700 | 3,721 |
| Uncollected from Federal Sources | <u>(14,105)</u> | <u>(8,925)</u> |
| Total Available | 21,173 | 15,084 |
| Unavailable | 981 | 2,900 |
| Obligated balance not yet disbursed | <u>55,504</u> | <u>56,472</u> |
| Total status of Fund Balance with Treasury | <u>\$77,658</u> | <u>\$74,456</u> |

Note 3. Property and Equipment, Net

The composition of property and equipment as of September 30, 2017, 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 | 130,638 | \$119,176 | 11,462 |
| Computer and other equipment and software | 62,438 | 49,837 | 12,601 |
| Leasehold improvements | <u>2,830</u> | <u>2,607</u> | <u>223</u> |
| Total property and equipment | <u>\$197,097</u> | <u>\$171,620</u> | <u>\$25,477</u> |

Depreciation expense for property and equipment for fiscal year 2017: \$5,668,000.

The composition of property and equipment as of September 30, 2016 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 | 130,153 | \$116,120 | 14,033 |
| Computer and other equipment and software | 60,058 | 49,291 | 10,767 |
| Leasehold improvements | <u>2,760</u> | <u>2,554</u> | <u>206</u> |
| Total property and equipment | <u>\$194,162</u> | <u>\$167,965</u> | <u>\$26,197</u> |

Depreciation expense for property and equipment for fiscal year 2016: \$6,461,000.

Note 4. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets include liabilities not covered by budgetary resources. 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, 2017, and September 30, 2016, is as follows:

Dollars in thousands

| | 2017 | 2016 |
|--|-----------------|-----------------|
| Intragovernmental liabilities—FECA liability | \$2,233 | \$2,459 |
| Salaries and benefits—Comptrollers' General retirement plan* | 1,046 | 1,104 |
| Accrued annual leave | 31,770 | 31,572 |
| Actuarial FECA liabilities** | 14,173 | 15,259 |
| Other | 40 | 83 |
| Liabilities not covered by budgetary resources | 49,262 | 50,477 |
| Liabilities covered by budgetary resources | 29,495 | 30,626 |
| Total liabilities | <u>\$78,757</u> | <u>\$81,103</u> |

* See [Note 5](#) for further discussion of the Comptrollers' General retirement plan.

** See [Note 6](#) for further discussion of FECA liability.

Note 5. 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 Benefits 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 post-employment 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, 2017, and September 30, 2016, are \$3,665,000 and \$3,784,000, respectively, for FEHBP, FEGLI, FICA, FERS, and CSRS contributions and are shown on the balance sheets as Federal employee benefits.

Details of the major components of GAO's federal employee benefit costs for the periods ended September 30, 2017, and September 30, 2016, are as follows:

Dollars in thousands

| Federal employee benefits costs | 2017 | 2016 |
|---|-----------------|-----------------|
| Federal employee retirement benefit costs paid by OPM and imputed to GAO: | | |
| Estimated future pension costs (CSRS/FERS) | \$4,300 | \$6,376 |
| Estimated future post-employment health/life insurance (FEHBP/FEGLI) | 14,076 | 16,231 |
| Total | <u>\$18,376</u> | <u>\$22,607</u> |
| Pension expenses (CSRS/FERS) | \$45,342 | \$44,256 |
| Health and life insurance expenses (FEHBP/FEGLI) | \$24,589 | \$23,683 |
| FICA and Medicare payments made by GAO | \$23,221 | \$22,564 |
| Thrift Savings Plan – matching contribution by GAO | \$15,266 | \$14,733 |

Comptrollers general and their surviving beneficiaries who qualify and 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 \$1,046,000 as of September 30, 2017, and \$1,104,000 as of September 30, 2016, 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, 2016 | \$1,104 |
| Expense: | |
| Interest on the liability balance | 30 |
| Actuarial loss: | |
| From experience | 73 |
| From assumption changes | 10 |
| Total expense | 113 |
| Less benefits paid | (171) |
| Actuarial liability as of September 30, 2017 | <u>\$1,046</u> |

Note 6. FECA Liability

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, 2017, and September 30, 2016, which is expected to be paid in future periods. This estimated liability of \$14,173,000 and \$15,259,000 as of September 30, 2017, and September 30, 2016, respectively, is reported on GAO's balance sheets as Actuarial FECA liabilities. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2017, and September 30, 2016, of \$2,233,000 and \$2,459,000, 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 titled, FECA liability.

Note 7. Building Lease Revenue

In fiscal year 2011, GAO entered into a 10-year lease agreement with the U.S. Army Corps of Engineers (USACE) to lease the entire third floor, and part of the sixth floor, of the GAO headquarters 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 building for fiscal years 2017 and 2016 was \$9,586,000 and \$9,426,000, 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 rental revenue* |
|---------------------------------|---------------------------------|
| 2018 | 9,626 |
| 2019 | 9,747 |
| 2020 | 9,873 |
| 2021 | 2,190 |
| 2022 | 2,208 |
| Total | <u>\$33,644</u> |

*If options to renew are exercised.

Note 8. 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 2017 and 2016 amounted to approximately \$6,386,000 and \$5,552,000, 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 that follows:

Dollars in thousands

| Fiscal year ending September 30 | Total |
|--|-----------------|
| 2018 | \$5,293 |
| 2019 | 3,407 |
| 2020 | 3,055 |
| 2021 | 1,965 |
| 2022 | 1,980 |
| 2023 and thereafter | <u>5,026</u> |
| Total estimated future lease payments | <u>\$20,726</u> |

Note 9. Net Cost of Operations

Expenses for salaries and related benefits, net of reimbursable collections, for fiscal year 2017 and fiscal year 2016 amounted to \$469,634,000 and \$464,534,000, respectively, which was about 84.0 and 83.5 percent of GAO's net cost of operations (which totaled \$559,205,000 and \$556,399,000, respectively). Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$18,376,000 in fiscal year 2017 and \$22,607,000 in fiscal year 2016.

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 headquarters building. Revenues from reimbursable services for fiscal year 2017 and fiscal year 2016 amounted to \$26,863,000 and \$26,278,000, respectively. Further details of the intragovernmental components are provided in [Note 10](#).

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 the costs of work which directly supports the 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 function, recommendation follow-up work, and other direct support to the Congress.

Note 10. Intragovernmental and Public Costs and Revenue

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. GAO employee salaries and benefits are considered public costs. Intragovernmental and public costs and earned revenue for the fiscal years ended September 30, 2017, and September 30, 2016, are as follows:

Dollars in thousands

| | 2017 | 2016 |
|---|-------------------|------------------|
| Goal 1: Well-Being/Financial Security of American People | | |
| Intragovernmental costs | \$47,271 | \$46,921 |
| Public costs | 174,318 | 169,546 |
| Total Goal 1 costs | <u>221,589</u> | <u>216,467</u> |
| Intragovernmental earned revenue | <u>(431)</u> | <u>(1,390)</u> |
| Net Goal 1 costs | <u>221,158</u> | <u>215,077</u> |
| Goal 2: Changing Security Threats/Challenges of Global Interdependence | | |
| Intragovernmental costs | 33,035 | 34,242 |
| Public costs | 119,167 | 122,375 |
| Total Goal 2 costs | <u>152,202</u> | <u>156,617</u> |
| Goal 3: Transforming the Federal Government's Role | | |
| Intragovernmental costs | 34,670 | 33,194 |
| Public costs | 128,518 | 124,667 |
| Total Goal 3 costs | <u>163,188</u> | <u>157,861</u> |
| Intragovernmental earned revenue | <u>(14,895)</u> | <u>(13,893)</u> |
| Net Goal 3 costs | <u>148,293</u> | <u>143,968</u> |
| Goal 4: Maximize the Value of GAO | | |
| Intragovernmental costs | 3,810 | 3,831 |
| Public costs | 11,370 | 13,796 |
| Total Goal 4 costs | <u>15,180</u> | <u>17,627</u> |
| Intragovernmental earned revenue | <u>-</u> | <u>(44)</u> |
| Net Goal 4 costs | <u>15,180</u> | <u>17,583</u> |
| Other costs in support of the Congress | | |
| Intragovernmental costs | 11,429 | 12,715 |
| Public costs | 22,480 | 21,390 |
| Total other costs | <u>33,909</u> | <u>34,105</u> |
| Intragovernmental earned revenue | <u>(1,277)</u> | <u>(1,219)</u> |
| Net other costs | <u>32,632</u> | <u>32,886</u> |
| Earned revenue not attributable to above cost categories | | |
| Intragovernmental | (10,137) | (9,596) |
| Public | <u>(123)</u> | <u>(136)</u> |
| Total earned revenue not attributable to above cost categories | <u>\$(10,260)</u> | <u>\$(9,732)</u> |

Goal 2 has no associated intragovernmental revenues. GAO tracks direct costs (payroll and contracts) to each Goal or Other Costs as assigned through a designated part of the accounting code. Costs that 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.

Note 11. Budgetary Resources

Budgetary resources available to GAO during fiscal year 2017 include current year appropriations, prior years' unobligated balances, reimbursements earned by GAO from providing goods and services to other federal and non-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, 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, Federal Housing Finance Agency, and services provided by GAO's Center for Audit Excellence. Earned revenue from rent is available indefinitely, historically subject to an obligation limitation, and must be used to offset the cost of operating and maintaining the GAO headquarters building. Reimbursements for GAO's Center for Audit Excellence and for financial audits of certain executive branch agencies are available indefinitely for the necessary expenses of GAO and in amounts as provided in annual appropriations acts. Reimbursements for other program and financial audits are available indefinitely for the necessary expenses of GAO and without further appropriation. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law.

Fiscal year 2017 budgetary resources include \$500,000 of budget authority transferred from USAID and \$500,000 transferred from the Department of Health and Human Services to GAO for oversight of activities related to research on, and responding to, the Zika virus. In fiscal year 2016, budgetary resources include \$500,000 of budget authority transferred to GAO to oversee activities supported, and reimbursements made, related to the Department of State's Ebola Response and Preparedness efforts, and \$100,000 for GAO to initiate an assessment of democracy programs in Burma conducted by the Department of State and U.S. Agency for International Development.

A comparison of GAO's fiscal year 2016 statement of budgetary resources with the corresponding information presented in the 2018 President's Budget, is as follows:

Dollars in thousands

| | Total budgetary resources | New obligations and upward adjustments |
|---|------------------------------|---|
| Fiscal year 2016 Statement of Budgetary Resources | \$594,131 | \$567,222 |
| Unobligated balances, beginning of year – (funds activity, expired accounts) | (3,316) | – |
| Recovery of prior year unpaid obligations (expired accounts) | (4,149) | – |
| Permanently not available –(funds activity, expired accounts) | 6 | – |
| Recoveries of prior year paid obligations (expired accounts) | (1,134) | – |
| Spending authority from offsetting collections – (funds activity, expired accounts) | 30 | – |
| Other – rounding in President's Budget | 432 | 778 |
| 2018 President's Budget – fiscal year 2016, actual | \$586,000 | \$568,000 |

As the fiscal year 2019 President's Budget will not be published until February 2018, a comparison between the fiscal year 2017 data reflected on the statement of budgetary resources and fiscal year 2017 data in the President's Budget cannot be performed; however, we expect similar differences will exist. The fiscal year 2019 President's Budget will be available on OMB's website and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2017 and fiscal year 2016 totaled \$26,025,000 and \$25,940,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of new obligations and upward adjustments for fiscal years 2017 and 2016 are as follows:

Dollars in thousands

| | 2017 | 2016 |
|--|------------------|------------------|
| Direct – Category A | \$552,797 | \$536,149 |
| Reimbursable – Category A | 28,224 | 31,073 |
| New obligations and upward adjustments | <u>\$581,021</u> | <u>\$567,222</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, 2017 and 2016 are as follows:

Dollars in thousands

| | 2017 | 2016 |
|--|-------------------|------------------|
| Resources used to finance activities | | |
| Budgetary resources obligated | | |
| New obligations and upward adjustments | \$581,021 | \$567,222 |
| Less: spending authority from offsetting collections, recoveries, and other changes | <u>(45,866)</u> | <u>(30,155)</u> |
| Obligations net of offsetting collections, recoveries, and other changes | <u>535,155</u> | <u>537,067</u> |
| Other resources | | |
| Transfers out without reimbursement | (32) | (42) |
| Federal employee retirement benefit costs paid by OPM imputed to GAO | 18,376 | 22,607 |
| Net other resources used to finance activities | <u>18,344</u> | <u>22,565</u> |
| Total resources used to finance activities | <u>553,499</u> | <u>559,632</u> |
| Resources used to finance items not part of the net cost of operations | | |
| Change in undelivered orders and unfilled customer orders | 5,074 | (4,495) |
| Net (increase)/decrease in lease liability and other | (43) | 83 |
| Assets capitalized | (4,914) | (5,255) |
| Net change in receivables not generating resources until collected and other adjustments | <u>71</u> | <u>(14)</u> |
| Total resources used to fund items not part of the net cost of operations | <u>188</u> | <u>(9,681)</u> |
| Total resources used to finance net cost of operations | <u>553,687</u> | <u>549,951</u> |
| Components of net costs that will not require or generate resources in the current period | | |
| Decrease in FECA liabilities | (1,312) | (610) |
| Increase in accrued annual leave | 198 | 172 |
| Change in other liabilities | <u>964</u> | <u>425</u> |
| Total components of net costs that will not generate resources in the current period | <u>(150)</u> | <u>(13)</u> |
| Costs that do not require resources | | |
| Depreciation | <u>5,668</u> | <u>6,461</u> |
| Net cost of operations | <u>\$ 559,205</u> | <u>\$556,399</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 funds directly appropriated to GAO. 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, 2017, and 2016, are as follows:

Dollars in thousands

| | 2017 | 2016 |
|--|-----------------|------------------|
| Investment in property and equipment, net | \$25,477 | \$26,197 |
| Net reimbursable funds activity | 24,742 | 16,764 |
| Other (supplies inventory, prepayments, and accounts receivable from public) | 331 | 533 |
| Liabilities not covered by budgetary resources* | <u>(49,262)</u> | <u>(50,477)</u> |
| Cumulative results of operations | <u>\$1,288</u> | <u>\$(6,983)</u> |

*See [Note 4](#) for components.

Required Supplementary Information

Deferred Maintenance and Repairs for Fiscal Year 2017

The Government Accountability Office (GAO) operates and maintains an approximately two million square foot headquarters facility and approximately six acres of associated grounds in downtown Washington, DC. The headquarters facility is predominantly used for office space. GAO is responsible for ensuring the facilities entrusted to its care remain in a safe and suitable condition for the current and future needs of the agency and tenant organizations. For information technology (IT) assets, GAO has a fully funded technology maintenance contract and manages the maintenance requirements annually through the budget process, reviewing all maintenance requirements to ensure all assets are covered for the new fiscal year. *Statement of Federal Financial Accounting Standards (SFFAS) 42, Deferred Maintenance and Repairs: Amending SFFAS 6, 14, 29, and 32*, defines deferred maintenance and repairs as maintenance and repairs that were not performed when they should have been or were scheduled to be and are put off or delayed for a future period. SFFAS No. 42 requires disclosure of deferred maintenance details as required supplementary information for all general property, plant and equipment (PP&E).

GAO defines its acceptable level of condition of PP&E to be “fair to good” based on the Facility Condition Index (FCI). The index is based upon GAO facility replacement values, which are updated every 2-3 years and identified as deferred maintenance. PP&E of less than “fair” condition are determined to require significantly more maintenance than facilities in better condition. For IT assets, an acceptable asset condition is met by a vendor-supported version, which is no more than two versions behind with no identified security risks.

GAO’s deferred maintenance and repairs relate to capitalized general (PP&E) and to non-capitalized or fully depreciated general PP&E. To evaluate the condition of PP&E, GAO uses the Facility Condition Assessments (FCA’s) that calculates a FCI to identify deferred maintenance and capital improvement requirements. Maintenance and repair activities are first prioritized based on health, safety, and regulatory considerations at the GAO headquarters building. Once this is accomplished, the FCI values (Condition Ratings and Condition Category ratings) are then ranked based on the ratings obtained during the condition assessment site survey. Rankings are generally adjusted to take into account current capital improvement efforts underway, future capital improvement plans, asset disposal plans, and budgetary funding outlook.

GAO completed its latest, formal, contracted FCA in 2016 that was limited to mechanical, electrical, and plumbing assets (over \$25,000) for the GAO headquarters building. In addition, GAO facilities staff and their facilities contract partners assess the building on a continuous basis. In 2017, the internal facilities staff assessment was performed on areas not covered in 2016, and GAO determined a deferred maintenance amount existed for several areas, including interior finishes and HVAC upgrades.

The GAO estimate of the amount of accumulated deferred maintenance and repair work required to bring facilities to a “fair” condition, based on the FCI and in-house assessments, is approximately \$23.5 million for the fiscal year ending September 30, 2017.

The majority of the increase is due to the continued deterioration and “poor” to “critical” condition of the building’s interior finishes (carpet and wall coverings) that have exceeded their useful life and are now becoming resistant to existing maintenance and repair processes.

Deferred Maintenance and Repair Costs

(Dollars in thousands)

| Asset Category | September 30, 2017 Ending Balance | October 1, 2016 Beginning Balance |
|-----------------------|--|--|
| General PP&E | \$23,500 | \$0 |

U.S. GOVERNMENT ACCOUNTABILITY OFFICE



Part IV

Inspector General's View of GAO's Management Challenges

SERVING CONGRESS AND THE NATION

Inspector General's Statement



O I G

Office of Inspector General

United States Government Accountability Office

Memorandum

Date: October 17, 2017

To: Comptroller General Gene L. Dodaro

From: Inspector General Adam R. Trzeciak

Subject: GAO Management Challenges

Similar to other federal agencies, GAO faces challenges to its ability to fulfill its mission. This year, GAO identified three challenges: managing a quality workforce, engagement efficiency, and providing secure information technology services. We agree these are internal GAO challenges. Our prior audits and on-going work have not only confirmed these challenge areas, but have also noted key interrelationships or connectivity among the challenges, which was communicated to GAO management in various reports and briefs. Poor performance in one area can adversely impact other challenges and the agency's ability to sustain mission performance. For example, GAO experienced at least two network disruptions in the last six months that highlighted risks to GAO's continuity of operations that, if not effectively understood and addressed, could adversely impact engagement efficiency and the performance of its onsite and remote workforce. Our information security program reviews have consistently identified limitations at GAO's alternative computing facility and the corresponding need for a comprehensive inventory of hardware/software to effectively identify and manage end-of-life issues. Further, we reported that GAO's use of decentralized mechanisms for tracking certain assets, to include furniture and equipment used by teleworkers, increased the risk of misuse or lost accountability of those assets.

In a June 2016 audit report to Congress concerning management challenges reporting by federal agencies, GAO stated that proper reporting of challenges can provide Congress and other stakeholders with a comprehensive list of where a failure to perform could seriously affect the ability of the agency to achieve its missions or goals.¹ During the development of its own Performance and Accountability Report, GAO took action to improve disclosure of its internal management challenges in response to our review. GAO has initiated efforts to enhance its risk management framework and processes. We are hopeful that as these efforts mature they will also improve identification and reporting of the agency's challenges, including actions and measures for addressing them.

¹GAO, *Managing for Results: Agencies Need to Fully Identify and Report Major Management Challenges and Actions to Resolve them in their Agency Performance Plans*, GAO-16-510 (Washington, D.C.: Jun. 15, 2016).

U.S. GOVERNMENT ACCOUNTABILITY OFFICE



Part V

Appendixes

SERVING CONGRESS AND THE NATION

Appendix I: Abbreviations

| | |
|----------|---|
| AICPA | American Institute of Certified Public Accountants |
| APHIS | Animal and Plant Health Inspection Service |
| APQA | Audit Policy and Quality Assurance |
| AQI | Agricultural Quarantine Inspection |
| ARM | Applied Research and Methods |
| BIA | Bureau of Indian Affairs |
| BIE | Bureau of Indian Education |
| BOP | Bureau of Prisons |
| CAO | Chief Administrative Office(r) |
| CBSP | Consular and Border Security Programs |
| CEAR | Certificate of Excellence in Accountability Reporting |
| CFPB | Consumer Financial Protection Bureau |
| CFTC | Commodity Futures Trading Commission |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| CMS | Centers for Medicare & Medicaid Services |
| CRO | Chief Risk Officer |
| CSAT | Customer Satisfaction (CSAT) survey |
| CSRS | Civil Service Retirement System |
| CUI | Controlled Unclassified Information |
| DATA Act | Digital Accountability and Transparency Act of 2014 |
| DHS | Department of Homeland Security |
| D&I | Diversity and inclusion |
| DNP | Do Not Pay |
| DOD | Department of Defense |
| DOE | Department of Energy |
| DOJ | Department of Justice |
| DOL | Department of Labor |
| DOT | Department of Transportation |
| EHRI | Enterprise Human Resources Integration |
| EMS | Engagement Management System |
| EPA | Environmental Protection Agency |
| ERM | Enterprise Risk Management |
| ERS | Engagement Reporting System |
| ESC | Enterprise Services Center |
| FAA | Federal Aviation Administration |
| FAIS | Forensic Audits and Investigative Service |
| FAMS | Federal Air Marshal Service |
| FASAB | Federal Accounting Standards Advisory Board |
| FBI | Federal Bureau of Investigation |
| FCC | Federal Communications Commission |
| FDA | Food and Drug Administration |
| FECA | Federal Employees' Compensation Act |
| FEGLI | Federal Employees Group Life Insurance Program |
| FEHBP | Federal Employees Health Benefits Program |
| FEMA | Federal Emergency Management Agency |
| FERS | Federal Employees Retirement System |
| FFMIA | Federal Financial Management Improvement Act of 1996 |

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| FGM/C | Female Genital Mutilation/Cutting |
| FHA | Federal Housing Administration |
| FICA | Federal Insurance Contributions Act |
| FINRA | Financial Industry Regulatory Authority |
| FISMA | Federal Information Security Management Act |
| FMFIA | Federal Managers' Financial Integrity Act |
| FTE | full-time equivalent |
| FVRA | Federal Vacancies Reform Act |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GPRA | Government Performance and Results Act, as amended |
| GSA | General Services Administration |
| HHS | Department of Health and Human Services |
| IC | Intelligence Community |
| ICD | Intelligence Community Directive |
| IDC | INTOSAI Donor Cooperation |
| IFPTE | International Federation of Professional and Technical Engineers |
| IG | Inspector General |
| Interior | Department of the Interior |
| IMF | International Monetary Fund |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IoT | Internet of Things |
| IRS | Internal Revenue Service |
| IT | information technology |
| LBFMS | Legislative Branch Financial Management System |
| LCS | Littoral Combat Ship |
| MD&A | Management Discussion and Analysis |
| NASA | National Aeronautics and Space Administration |
| NFC | National Finance Center |
| NIST | National Institute of Standards and Technology |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| ONDCP | Office of National Drug Control Policy |
| OPM | Office of Personnel Management |
| PAR | Performance and Accountability Report |
| PP&E | Property, plant and equipment |
| RSI | Required supplement information |
| SAI | Supreme Audit Institution |
| SAM | System for Award Management |
| SBA | Small Business Administration |
| SEC | Securities and Exchange Commission |
| SEP | Special Enrollment Period |
| SES | Senior Executive Service |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SIPRNet | Secret Internet Protocol Router Network |
| State | Department of State |
| TIN | Taxpayer Identification Number |
| Treasury | Department of the Treasury |
| UCT | Unified communications tool |
| U.S. | United States |

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| U.S.C. | United States Code |
| USACE | U.S. Army Corps of Engineers |
| USAID | U.S. Agency for International Development |
| USDA | U.S. Department of Agriculture |
| USPS | U.S. Postal Service |
| USSGL | United States Government Standard General Ledger |
| VA | Department of Veterans Affairs |
| VHA | Veterans Health Administration |
| WGBD | Working Group on Big Data |
| WGMRR | Working Group on Financial Modernization and Regulatory Reform |

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 20](#).

Table 20: How We Ensure Data Quality for Our Annual Performance Measures

| Results measures | |
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| Financial benefits | |
| Definition and background | <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> |
| Data sources | <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 Audit Policy and Quality Assurance (APQA) office for review. Once accomplishment reports are approved, they are entered into our Engagement Reporting System (ERS), which is the official reporting database.</p> |

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| Verification and Validation | <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 2017, APQA approved accomplishment reports covering almost 98 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2017, 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 2017 reported financial benefits reflect the views of the independent reviewers.</p> |
| Data limitations | <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> |
| Other Benefits | |
| Definition and background | <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> |
| Data sources | <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> |

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| Verification and validation | <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> |
| Data limitations | <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> |
| Percentage of products with recommendations | |
| Definition and background | <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 they 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. Beginning in fiscal year 2015, GAO's Performance and Accountability Report no longer includes in its calculation of percentage of products with recommendations those products that include Matters for Congressional Consideration, but no recommendations to federal agencies. We did not recalculate the percentage of products with recommendations to exclude Matters for Congressional Consideration for years prior to fiscal year 2015, because such products account for a very small number of the products we issue annually and, therefore, would not have substantively changed the results for those years.</p> |
| Data sources | <p>Our Publications Database incorporates recommendations from products as they are issued. The database is updated daily.</p> |
| Verification and validation | <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> |
| Data limitations | <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> |
| Past recommendations implemented | |
| Definition and background | <p>We make recommendations designed to improve the operations of the federal government. For our work to produce financial or other benefits, 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 2017 implementation rate is the percentage of recommendations made in fiscal year 2013 products that were implemented by the end of fiscal year 2017). Our experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p> <p>Beginning in fiscal year 2015, GAO's Performance and Accountability Report no longer includes actions taken by the Congress based on GAO's Matters for Congressional Consideration in calculating past recommendations implemented. We did not recalculate the percentage of recommendations implemented to exclude Matters for Congressional Consideration for years prior to fiscal year 2015, because such products account for a very small number of the products we issue annually and, therefore, would not have substantively changed the results for those years.</p> |

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| Data sources | 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. |
| Verification and validation | <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 at least once a year. 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> |
| Data limitations | 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. |
| Client measures | |
| Testimonies | |
| Definition and background | The Congress asks GAO's senior executives to provide expert testimony at hearings on various issues, and these testimonies are the basis for this measure. Delivering testimonies is one of our most important forms of communication with the Congress, and the number of testimonies that we are asked to deliver reflect the importance and value of our institutional knowledge in assisting congressional decision making. Historically, when we have had multiple witnesses deliver separate testimony statements at a single hearing, we have counted these as a "single" testimony—effectively equating the number of hearings at which GAO testified with the number of testimonies we have delivered. In 2016, we modified this methodology to more fully account for the number of discrete testimonies that GAO's senior executives are asked to deliver in a given fiscal year. Specifically, when multiple senior executives are asked to testify on different aspects of GAO's work and deliver their own separate written testimony statements at a single hearing, we will count each testimony in the total count for the fiscal year. We did not recalculate the number of testimonies we delivered prior to 2016, because this situation occurs infrequently. However, we want to be positioned to fully report our testimony performance when it does occur. We will continue our practice of (1) not counting statements as separate when two GAO teams provide a joint statement and (2) not counting statements for the record when our witness does not appear. |
| Data sources | The data on testimonies are compiled in our Congressional Hearing System managed by staff in our Office of Congressional Relations (Congressional Relations). |
| Verification and validation | 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 that the hearing took place and that the testimony was delivered. Congressional Relations provides weekly status reports to unit managers, who check to make sure that the data are complete and accurate. |
| Data limitations | This measure does not include statements for the record that we prepare for congressional hearings. Also, this measure may be influenced by factors other than the quality of our performance in any specific year. The number of times that our senior executives are asked to testify at congressional hearings 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 testify at congressional hearings. |

| Timeliness | |
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| Definition and background | The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we 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.” |
| Data sources | 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. |
| Verification and validation | 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. |
| Data limitations | Testimonies and written products that met our criteria for this measure were sent a client survey form, representing about 53 percent of the congressionally requested written products we issued during fiscal year 2017. 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 24 percent, and 97 percent of those who responded answered the timeliness question. We received responses from one or more people for about 54 percent of the products for which we sent a form in fiscal year 2017. |
| People measures | |
| New hire rate | |
| Definition and background | This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account 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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| Data sources | 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. |
| Verification and validation | 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. |
| Data limitations | There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results. |
| Retention rate | |
| Definition and background | We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the 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. |
| Data sources | 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. |
| Verification and validation | 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. |
| Data limitations | See New hire rate , Data limitations . |
| Staff development | |
| Definition and background | <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 2017 the contractor also analyzed the data.</p> <p>This measure is based on staff’s favorable responses to four 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> |

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| Data sources | <p>The four 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 as well as team-led training and knowledge sharing events. 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.</p> |
| Verification and validation | <p>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 2017, our response rate to this survey was about 72 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.</p> |
| Data limitations | <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> |
| Staff utilization | |
| Definition and background | <p>This measure is based on staff’s favorable responses to three of six questions related to staff utilization in our annual employee survey: (1) My job made good use of my skills and abilities; (2) GAO provided me with opportunities to do challenging work, (3) My workload is reasonable; (4) I experienced multitasking in my work (multitasking is being significantly involved in more than one major concurrent work activity); (5) I experienced matrixing in my work (matrixing is when you are a significant contributor on work activities that cross organizational boundaries); and (6) In general, I was utilized effectively. When we developed our People Measures, we used the job satisfaction question—Overall, I am satisfied with my job at GAO, which appeared on our annual employee survey and calculated the correlation between this question and questions that comprised the People Measures. Questions 1, 2, and 6 above had the highest correlation in this section of the survey so they were used to create the Staff Utilization People Measure. Likewise, this question was used to select the questions that comprised the other three People Measures. 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 Staff development.)</p> |
| Data sources | <p>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 Staff development, Data sources.</p> |

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| Verification and validation | See Staff development , Verification and validation . |
| Data limitations | See Staff development , Data limitations . |
| Effective leadership by supervisors | |
| Definition and background | 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 | |
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| Help get job done, improve quality of work life, and IT tools | |
| Definition and background | To measure how well we are delivering internal administrative services to our employees and identify areas for improvement, we conduct a web-based customer satisfaction survey. The survey asks employees 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. In 2017, as part of our efforts to learn about and address problems with internal services as quickly as possible, we administered the survey at two different times. In prior years, we only administered the survey once. To conduct the survey twice, we divided the employee population into two groups using the last digit of their unique employee identification (ID) number. The February 2017 group included employees with IDs ending in an odd number and excluded anyone hired after October 1, 2016 since they had limited GAO experience. The August group included employees with IDs ending in an even number and excluded anyone hired after May 1, 2017. We undertook this strategy rather than a random selection approach because the excessive burden of drawing samples and accounting for people who left and joined GAO during the year. |
| Data sources | These data come from our employees' responses to a web-based survey. To determine how satisfied our employees are with internal administrative services, we calculate composite scores for three measures and combined the responses from each of the two data collection periods. No weighting or other adjustments were made. The composite score 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 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 leave, building maintenance and security, and transit benefits. The third measure is for IT tools, such as our engagement management system, tools for working remotely, 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. |
| Verification and validation | 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 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. |
| Data limitations | <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> |

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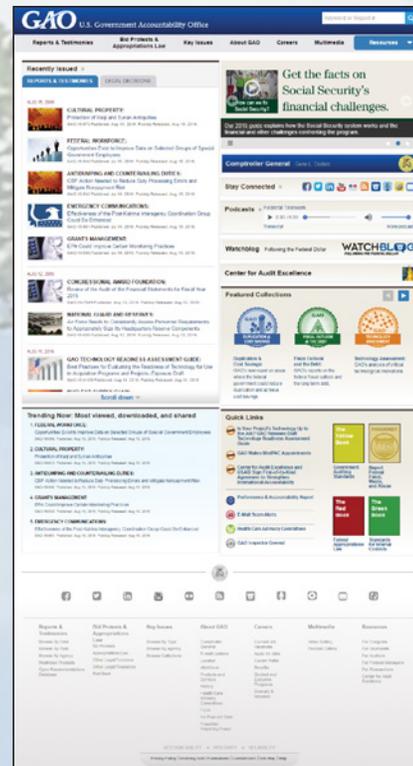
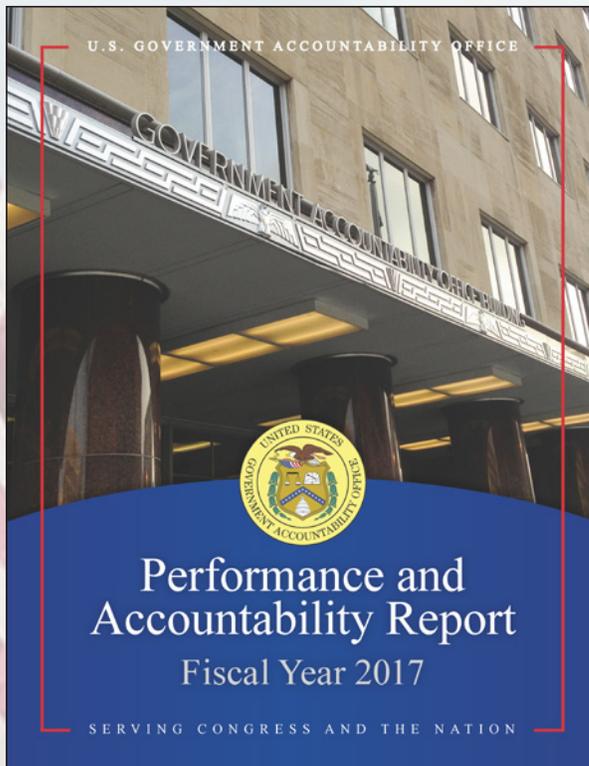
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