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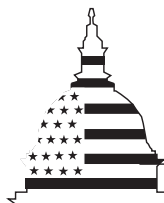
Testimony

Before the Committee on Appropriations,
House of Representatives

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FISCAL YEAR 2007 BUDGET REQUEST

Statement of David M. Walker
Comptroller General of the United States



G A O

Accountability * Integrity * Reliability

Mr. Chairman and Members of the Committee:

I am pleased to appear before the Committee today in support of the fiscal year 2007 budget request for the U.S. Government Accountability Office (GAO). This request will help us continue our support of the Congress in meeting its constitutional responsibilities and will help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Budget constraints in the federal government grew tighter in fiscal years 2005 and 2006. In developing our fiscal year 2007 budget, we considered those constraints consistent with GAO's and the Committee's desire to "lead by example." In fiscal year 2007, we are requesting budget authority of \$509.4 million, a reasonable 5 percent increase over our fiscal year 2006 revised funding level. In the event Congress acts to hold federal pay increases to 2.2 percent, our requested increase will drop to below 5 percent. This request will allow us to continue making improvements in productivity, maintain our progress in technology and other transformation areas, and support a full-time equivalent (FTE) staffing level of 3,267. This represents an increase of 50 FTEs over our planned fiscal year 2006 staffing level and will allow us to rebuild our workforce to a level that will position us to better respond to increasing supply and demand imbalances in areas such as disaster assistance, the global war on terrorism, homeland security, forensic auditing, and health care.

I am proud of the work we accomplished this past fiscal year in support of the Congress and the American people. We provided our congressional clients with timely, objective, and reliable information on how well government programs and policies are working and, when needed, recommendations for improvement. In the years ahead, our support to the Congress will likely prove to be even more critical because of the pressures created by our nation's current and projected budget deficit and growing long-term fiscal imbalance. Indeed, as it considers those fiscal pressures, the Congress will be grappling with tough choices about what government does, how it does business, and who should do the government's business. GAO is a valuable tool for helping the Congress review, reprioritize, and revise existing mandatory and discretionary spending programs and tax policies. Additionally, through its involvement domestically with the federal, state, and local audit community and internationally with its national audit office counterparts, GAO has played—and will continue to play—an important role in helping to ensure the financial integrity of U.S. funds expended at home and abroad. GAO-led efforts to develop and implement the first-ever strategic plans for the

National Intergovernmental Audit Forum and the International Organization of Supreme Audit Institutions have helped improve the effectiveness of these audit organizations and GAO to work more efficiently and cost-effectively.

In an effort to identify areas for potential improvement, GAO underwent two peer reviews in fiscal year 2005. We obtained a clean opinion on our performance audit practice from an international team of experienced auditors—the first time that we have sought such an opinion. The independent reviewers concluded that we have designed and implemented an effective system of quality controls to provide reasonable assurance of complying with generally accepted government auditing standards, which are designed to ensure that audits of government activities are objective, independent, and reliable. This opinion validated that the Congress and the American people can rely on our work and products. Also during fiscal year 2005, GAO received an unqualified report, or clean opinion, on the results of the external peer review of its financial audit practice. External peer reviews are conducted on a 3-year cycle, and this is the fourth such clean opinion that GAO has received from an external peer reviewer since the program began in fiscal year 1996. The external peer reviewer, KPMG LLP, found that the system of quality control for GAO's financial auditing practice met professional standards and that GAO in fact complied with the standards.

In fiscal year 2005, we met or exceeded targets for 10 of our 14 performance measures, while setting or matching all-time records for 3 measures. We documented \$39.6 billion in financial benefits—a return of \$83 for every dollar we spent—and over 1,400 nonfinancial benefits—a record for us. Our targets for fiscal years 2006 and 2007 will continue to challenge the agency in our efforts to support the Congress and serve the American people. Beginning with fiscal year 2006, we will add 2 internal operations measures to the list. These 2 new performance measures will assess how well our mission and people are supported by our infrastructure operations staff.

In fiscal year 2005, we issued two products that will assist the Congress as it addresses future challenges. Recognizing the importance and scope of these reports, we provided a copy to every member of Congress and each Committee, as well as the White House. Our report entitled *21st Century Challenges: Reexamining the Base of the Federal Government* provides a series of illustrative questions related to 12 areas of federal activity as well as our perspective on various strategies and approaches that should be considered as a possible means to address the issues and questions raised in the report. Drawing on our institutional knowledge and extensive

program evaluation and performance assessment work for the Congress, we presented over 200 specific 21st century questions illustrating the types of hard choices our nation needs to face as it reexamines what the federal government should do, how it should do it, and how it should be financed. We also issued our *High-Risk Series: An Update*, which identifies federal areas and programs at risk of fraud, waste, abuse, and mismanagement and those in need of broad-based transformations. The issues affecting many of these areas and programs may take years to address, and the report will serve as a useful guide for the Congress's future programmatic deliberations and oversight activities. The current administration has looked to our high-risk program in shaping governmentwide initiatives such as the President's Management Agenda, which has at its base many of the areas we had previously identified as high risk. The Office of Management and Budget (OMB), in consultation with GAO, is currently working to ensure that agencies develop detailed action plans to address high-risk areas, with the ultimate objective, over time, of seeing these items removed from our high-risk list.

As in past years, during fiscal year 2005, our work covered a number of major topics of concern to the nation and, in some cases, the world. For example, we reported on the nation's long-term fiscal challenges, the financial condition of the airline industry, spending and reconstruction activities related to Iraq and Afghanistan, and strengthening the visa process as an antiterrorism tool. We also examined the Department of Defense's (DOD's) transformation challenges, base realignment and closure issues, increasing the strategic focus of federal acquisitions, protecting against identity theft, the oversight of electricity markets, zero down-payment mortgages, and immigration enforcement. We testified many times before the Congress, contributing to the public debate on a variety of topics that included Social Security reform, pension reform, postal reform, GSE oversight, wildland fire management, gasoline prices, the flu vaccine, veterans' health care, benefits for members of the Reserves and National Guard, digital broadcast television, long-term health care financing, passport fraud detection, reducing the tax gap, information security, and a range of financial management and accountability issues. In addition, we conducted a range of work on a variety of legislative branch agencies and projects, including the Capitol Visitor's Center, the Architect of the Capitol, and the U.S. Capitol Police.

This past year we also continued to take steps internally to help us achieve our goal of being a model federal agency and a world-class professional services organization. These steps helped us to address our three major management challenges—human capital, physical security, and

information security. Through the GAO Human Capital Reform Act of 2004, the Congress granted GAO several additional human capital flexibilities that will allow us, among other things, to move to an even more performance-oriented and market-based compensation system. As you have heard me say many times, our most valuable asset is our people, and the flexibilities granted in this act will help us to continue to modernize our people-related policies and strategies, which, in turn, will help ensure that we are well-equipped to serve the Congress and the American people in the years to come. As a result, we are continuing to take a range of actions designed to modernize our human capital policies and practices. In fiscal year 2005, we adopted a broad pay band approach and a more performance-oriented pay system for our administrative staff. In fiscal year 2006, we implemented a more market-based and skills-, knowledge-, and performance-oriented classification and pay system for all of our employees.

My testimony today will focus on our budget request for fiscal year 2007 to support the Congress and serve the American people and on our performance and results with the funding you provided us in fiscal year 2005.

GAO's Fiscal Year 2007 Request to Support the Congress

Our fiscal year 2007 budget request will provide us the resources necessary to achieve our performance goals in support of the Congress and the American people. This request will allow GAO to improve productivity and maintain progress in technology and other transformation areas. We continue to streamline GAO, modernize our policies and practices, and leverage technology so that we can achieve our mission more effectively and efficiently. These continuing efforts allow us to enhance our performance without significant increases in funding. Our fiscal year 2007 budget request represents a modest increase of about \$25 million (or 5 percent) over our fiscal year 2006 revised funding level—primarily to cover uncontrollable mandatory pay and price level increases. This request reflects a reduction of nearly \$5.4 million in nonrecurring fiscal year 2006 costs used to offset the fiscal year 2007 increase. This request also includes about \$7 million in one-time fiscal year 2007 costs, which will not recur in fiscal year 2008, to upgrade our business systems and processes.

As the Congress addresses the devastation in the Gulf Coast region from Hurricane Katrina and several other major 2005 hurricanes, GAO is supporting the Congress by assessing whether federal programs assisting the people of the Gulf region are efficient and effective and result in a

strong return on investment. In order to address the demands of this work; better respond to the increasing number of demands being placed on GAO, including a dramatic increase in health care mandates; and address supply and demand imbalances in our ability to respond to congressional interest in areas such as disaster assistance, homeland security, the global war on terrorism, health care, and forensic auditing, we are seeking your support to provide the funding to rebuild our staffing level to the levels requested in previous years. We believe that 3,267 FTEs is an optimal staffing level for GAO that would allow us to more successfully meet the needs of the Congress.

In preparing this request and taking into account the effects of the fiscal year 2006 rescission, we revised our workforce plan to reduce fiscal year 2005 hiring and initiated a voluntary early retirement opportunity for staff in January 2006. These actions better support GAO's strategic plan for serving the Congress, better align GAO's workforce to meet mission needs, correct selected skill imbalances, and allow us to increase the number of new hires later in fiscal year 2006. Our revised hiring plan represents an aggressive hiring level that is significantly higher than in recent fiscal years, and it is the maximum number of staff we could absorb during fiscal year 2006. These actions will also position us to more fully utilize our planned FTE levels of 3,217 and 3,267 in fiscal years 2006 and 2007, respectively.

Our fiscal year 2007 budget request includes approximately \$502 million in direct appropriations and authority to use about \$7 million in estimated revenue from rental income and reimbursable audit work. Table 1 summarizes the changes we are requesting in our fiscal year 2007 budget.

Table 1: Fiscal Year 2007 Budget Request, Summary of Requested Changes

Dollars in thousands

Budget category	FTEs	Amount	Cumulative percentage change
FY 2006 enacted budget authority	3,217	\$489,560	
Less: rescission		(4,896)	
FY 2006 revised budget authority		\$484,664	
FY 2007 requested changes			
Nonrecurring fiscal year 2006 costs		(\$5,380)	(1%)
Mandatory pay costs	50	18,469	3%
Price level changes		4,073	4%
Relatively controllable costs		7,528	
Adjustment due to rounding		1	
Subtotal - requested changes	50	\$24,691	5%
Total FY 2007 budget authority required to support GAO operations	3,267	\$509,355	

Source: GAO.

Our fiscal year 2007 budget request supports three broad program areas: Human Capital, Engagement Support, and Infrastructure Operations. Consistent with our strategic goal to be a model agency, we have undertaken a number of initiatives to implement performance-based, market-oriented compensation systems; adopt best practices; benchmark service levels and costs; streamline our operations; cross-service and outsource activities; and leverage technology to increase efficiency, productivity, and results.

The Human Capital Program provides the resources needed to support a diverse, highly educated, knowledge-based workforce comprising individuals with a broad array of technical and program skills and institutional memory. This workforce represents GAO's human capital—its greatest asset—and is critical to the agency's success in serving the Congress and the nation. Human Capital Program costs represent nearly 80 percent of our requested budget authority.

To further ensure our ability to meet congressional needs, we plan to allocate approximately \$17 million for Engagement Support to:

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- conduct travel, a critical tool to accomplish our mission of following the federal dollar cross the country and throughout the world, and to ensure the quality of our work;
 - contract for expert advice and assistance when needed to meet congressional timeframes for a particular audit or engagement; and
 - ensure a limited presence in the Middle East to provide more timely, responsive information on U.S. activities in the area.

In addition, we plan to allocate about \$91 million—or about 18 percent of our total request—for Infrastructure Operations programs and initiatives to provide the critical infrastructure to support our work. These key activities include information technology, building management, knowledge services, human capital operations, and support services.

Performance, Results, and Plans

In fiscal year 2005, the Congress focused its attention on a broad array of challenging issues affecting the safety, health, and well-being of Americans here and abroad, and we were able to provide the objective, fact-based information that decision makers needed to stimulate debate, change laws, and improve federal programs for the betterment of the nation. For example, as the war in Iraq continued, we examined how DOD supplied vehicles, body armor, and other materiel to the troops in the field; contributed to the debate on military compensation; and highlighted the need to improve health, vocational rehabilitation, and employment services for seriously injured soldiers transitioning from the battlefield to civilian life. We kept pace with the Congress's information needs about ways to better protect America from terrorism by issuing products and delivering testimonies that addressed issues such as security gaps in the nation's passport operations that threaten public safety and federal efforts needed to improve the security of checked baggage at airports and cargo containers coming through U.S. ports. We also explored the financial crisis that weakened the airline industry and the impact of this situation on the traveling public and airline employees' pensions. We performed this work in accordance with our strategic plan for serving the Congress, consistent with our professional standards, and guided by our core values (see appendix 1). See table 2 for examples of how GAO assisted the nation in fiscal year 2005.

Table 2: Examples of How GAO Assisted the Nation in Fiscal Year 2005

Goal	Description	GAO provided information that helped to....
1	Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people.	<ul style="list-style-type: none"> Improve the transition from active duty to civilian status for veterans with serious war-related injuries Address long-term health care financing pressures on state and local government budgets Identify challenges associated with transferring the Medicare appeals process from the Social Security Administration and HHS Improve patient safety at Department of Veterans' Affairs hospitals Improve the security of Social Security numbers Address the challenges of pension reform Strengthen the security screening process for passengers and checked baggage at the nation's airports Improve the oversight of Federal Housing Administration single-family and multifamily lenders Improve the oversight of electricity markets by the Federal Energy Regulatory Commission Identify challenges associated with the Department of Energy's (DOE's) nuclear facility designs Monitor the growth in the digital television market Analyze issues contributing to the declining financial condition of the airline industry
2	Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence.	<ul style="list-style-type: none"> Improve the management of funds for the global war on terrorism Increase the security of cargo containers to prevent terrorist activity Alert the Congress to issues affecting the DOD's major weapon systems Analyze funding options for a new federal foreign assistance program—the Millennium Challenge Account Promote government efforts to address threats to the security of the nation's information systems Strengthen the visa process as an antiterrorism tool Improve management of the U.S. Coast Guard's Deepwater Program Shape the debate on improving military pay and benefits Strengthen the U.S. strategic export control system Identify improvements needed to secure critical IT systems used by U.S. financial markets Report to the Congress on the 2005 base realignment and closures (BRAC) defense transformation
3	Help transform the federal government's role and how it does business to meet 21st century challenges.	<ul style="list-style-type: none"> Increase the public's understanding of the federal government's long-term fiscal challenges Implement governmentwide civil service reforms Oversee federal tax policy Increase debts collected from criminals Decrease improper payments made by the USDA Food Stamp Program and other federal agencies Manage multibillion dollar IT modernizations and investments at the Department of Homeland Security (DHS) and Office of Personnel Management Improve agencies' strategic purchasing practices Examine changes in key areas of federal activity that could affect the federal government's fiscal future Enhance the knowledge base on comprehensive national indicators Improve postal operations through reform legislation
4	Maximize the value of GAO by being a model federal agency and a world-class professional services organization.	<ul style="list-style-type: none"> Foster among other federal agencies GAO's innovative human capital practices, such as broad pay bands; performance-based compensation; and workforce planning and staffing strategies, policies, and processes Share GAO's model business and management processes and other transformation-related information with counterpart organizations in the United States and abroad

Source: GAO.

Outcomes of Our Work and the Road Ahead

During fiscal year 2005 we monitored our performance using 14 annual performance measures that capture the results of our work; the assistance we provided to the Congress; and our ability to attract, retain, develop, and lead a highly professional workforce (see table 3). For example, in fiscal year 2005 our work generated \$39.6 billion in financial benefits, primarily from actions agencies and the Congress took in response to our recommendations. Of this amount, about \$19 billion resulted from changes to laws or regulations, \$12.8 billion resulted from agency actions based on our recommendations to improve services to the public, and \$7.7 billion resulted from improvements to core business processes. See figure 1 for examples of our fiscal year 2005 financial benefits.

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2005, we recorded a total of 1,409 other benefits. For instance, we documented 75 instances where information we provided to the Congress resulted in statutory or regulatory changes, 595 instances where federal agencies improved services to the public, and 739 instances where agencies improved core business processes or governmentwide reforms were advanced. These actions spanned the full spectrum of national issues, from ensuring the safety of commercial airline passengers to identifying abusive tax shelters. See figure 2 for additional examples of GAO's other benefits in fiscal year 2005.

One way we measure our effect on improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2005, 85 percent of the recommendations we made in fiscal year 2001 had been implemented, primarily by executive branch agencies. Putting these recommendations into practice will generate tangible benefits for the nation over many years.

During fiscal year 2005, experts from our staff testified at 179 congressional hearings covering a wide range of complex issues (see table 4). For example, our senior executives testified on improving the security of nuclear material, federal oversight of mutual funds, and the management and control of DOD's excess property. Over 70 of our testimonies were related to high-risk areas and programs (see table 5).

Table 3: Agencywide Summary of Annual Measures and Targets

	2001	2002	2003	2004	2005	2006	2007
Performance measures	Actual	Actual	Actual	Actual	Actual	Target	Target
Results							
Financial benefits (dollars in billions)	\$26.4	\$37.7	\$35.4	\$44.0	\$39.6	\$39.0	\$40.0
Other benefits	799	906	1,043	1,197	1,409	1,050	1,100
Past recommendations implemented	79%	79%	82%	83%	85%	80%	80%
New products with recommendations	44%	53%	55%	63%	63%	60%	60%
Client							
Testimonies	151	216	189	217	179	210	185
Timeliness	95%	96%	97%	97%	97%	98%	98%
People							
New hire rate	N/A	96%	98%	98%	94%	97%	97%
Acceptance rate	N/A	81%	72%	72%	71%	75%	75%
Retention rate with retirements	91%	91%	92%	90%	90%	90%	91%
Retention rate without retirements	95%	97%	96%	95%	94%	94%	95%
Staff development	N/A	71%	67%	70%	72%	74%	75%
Staff utilization	N/A	67%	71%	72%	75%	75%	78%
Leadership	N/A	75%	78%	79%	80%	80%	80%
Organizational climate	N/A	67%	71%	74%	76%	75%	76%

Source: GAO.

Note: N/A indicates the information is not available or the target is not applicable.

Note: In fiscal year 2006, we will add two internal operations measures to our list of performance measures on which we report. These measures will help us determine how well our internal operations (1) help employees get their jobs done and (2) improve employees' quality of life in the workplace.

Figure 1: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2005



Source: See Image Sources.

Description	Amount
<p>Reduced funding for a missile defense system. In an April 2003 report, we stated that to successfully develop an effective and suitable missile defense system, the Missile Defense Agency must be willing to adopt knowledge-based acquisition practices that have made other developers successful. Our report acknowledged that the agency's development strategy for the Kinetic Energy Interceptor Program included knowledge-based practices, but concluded that the agency had not implemented two important practices: (1) using well-developed technologies during system integration and (2) fully testing a system before fielding it. In response, the Missile Defense Agency is scaling back development of the Kinetic Energy Interceptor Program until technologies are mature. Over a 5-year period—from fiscal years 2005 through 2009—program funding will be reduced by about \$5.2 billion, which has a net present value of about \$4.7 billion.</p>	\$4.7
<p>Avoided higher costs associated with a nuclear waste disposal process. In a June 2003 report, we recommended that DOE pursue legislative clarification from the Congress because of a legal challenge that threatened DOE's ability to proceed with its less costly strategy for treating and disposing of radioactive tank wastes with lower concentrations of radioactivity. DOE estimated that pursuing a more expensive treatment and disposal strategy suitable for wastes with higher concentrations of radioactivity would increase waste treatment disposal costs by \$55 billion to \$60 billion at its Savannah River Site. The Fiscal Year 2005 National Defense Authorization Act contained a provision that clarified DOE's authority to follow its planned treatment and disposal strategy, thus avoiding a more costly process. We calculated that the net present value of the cost avoidance for fiscal years 2005 through 2009 was about \$4.5 billion.</p>	4.5
<p>Improved the Army's force structure. In a report examining the Army's force structure, we recommended that the Army establish mission criteria to provide a firmer basis for its Strategic Reserve, Domestic Support, and Homeland Defense force requirements. Such criteria would help to ensure that the Army had the right number and types of soldiers available for these purposes. Rather than request additional end strength, the Army reconfigured its existing force's structure. In April 2003, DOD reported that the Army had included force structure changes in its fiscal year 2004 budget, which supported increased units for military police; military intelligence; special forces; and chemical, civil affairs, and psychological operations. Based on this action, the Army has been able to rebalance its force structure to create needed units with minimal increases in authorized end strength. The amount shown represents the net present value of the force structure changes over a 5-year period (fiscal years 2004 through 2008).</p>	3.4
<p>Reduced the cost of federally subsidized housing projects. We determined that the Department of Housing and Urban Development (HUD) had not developed the systems it needed to track the status of unexpended balances in its project-based Section 8 housing program and therefore could not use this information to help manage the program and formulate budget requests for it. As a result of our work, the Congress required HUD to better enforce the legislative provisions requiring the recapture of capital funds not being utilized by public housing authorities. In fiscal year 2005, we documented—using HUD data—that a financial benefit of about \$2.7 billion in current dollars resulted from HUD's recapture of about \$2.5 billion of fiscal year 2003 dollars.</p>	2.7

Description	Amount
Avoided costs associated with higher payment rates at skilled nursing homes. In 2002, we assessed the impact of a 16.6 percent increase in Medicare’s daily rate for skilled nursing facilities on nurse staffing ratios. Our analysis showed that nurse staffing ratios changed little from April 1, 2001, through September 30, 2002—the period during which the rate increase was in effect. In fiscal year 2003, the cost to the federal government of reinstating the payment rate increase was approximately \$1 billion per year. Since we issued our report, the Congress has considered reinstating the rate increase, but it has chosen not to, largely on the basis of our analysis. The net present value of the annual cost avoidance for fiscal years 2004 and 2005 is \$2 billion.	2.0
Increased tax revenues. We reported that the Internal Revenue Service (IRS) did not have systems or procedures in place to allow it to identify and actively pursue unpaid tax cases that may have some collection potential. Based on our work, IRS has taken action to better assess the potential for collecting unpaid tax assessment cases and has used that information to better target its collection efforts. Specifically, in 2004 IRS began implementing a sophisticated modeling technology to identify productive and less productive cases to ensure that its resources are devoted to cases with a higher likelihood of collection and to help prevent premature suspension of collection efforts. IRS’s analysis of the yield on collection cases after employing this modeling in fiscal year 2004 shows that this yield increased by about \$1.8 billion (in current year dollars), or 8.4 percent from the previous year (fiscal year 2003), without significant staffing level increases.	1.8
Ensured continued investment in the General Services Administration’s (GSA) online purchasing system. As of 2003, GSA had spent \$84 million to develop, implement, and maintain Advantage, a system for ordering products and services online. However, 5 years after the system was launched, only 35 percent of all government-contracted vendors participated in the program, and agencies were largely using the system to compare pricing. To ensure GSA’s level of investment matched customer needs, we recommended that the agency develop a business case for a system such as Advantage, and in January 2005, GSA selected a new business strategy that would significantly enhance the system’s capabilities to serve as a broker between buyers and suppliers and provide agencies with an automated tool for formulating acquisition requirements and developing requests for quotes. GSA projects over \$1.5 billion in financial benefits to result from electronic transactions, spend analysis (analysis of expenditures that shows how money is spent on goods and services), a searchable procurement data repository, and competitive pricing. This financial benefit has a net present value of just over \$1.3 billion.	1.3
Reduced Navy and Air Force appropriations. DOD policy requires the Defense Working Capital Fund to maintain cash levels to cover 7 to 10 days of operational cash and 6 months of capital asset disbursements. Our analysis showed that the January 2004 reported actual cash balance for the Air Force Working Capital Fund exceeded the 10-day cash requirement by about \$1.5 billion, and the Navy’s Working Capital Fund reported actual cash balance exceeded the budgeted cash balance by \$659 million and \$408 million at the end of fiscal years 2002 and 2003, respectively. The Congress reduced the Navy and Air Force fiscal year 2005 Operation and Maintenance appropriations by just under \$1.3 billion due to excessive cash amounts.	1.3
Eliminated the National Aeronautics and Space Administration’s (NASA) Prometheus 1 project. We issued a report questioning whether NASA had established the initial justification for its investment in the Prometheus 1 project and how the agency planned to ensure that critical nuclear power and propulsion system technologies were sufficiently developed to support deep space probes like the Jupiter Icy Moons Orbiter. We also reported that the approved Prometheus 1 funding profile was inadequate to support the planned mission—a launch to Jupiter’s Icy Moons in 2015. NASA has subsequently deferred the Jupiter Icy Moons Orbiter mission indefinitely, reducing the agency’s funding needs by about \$1.22 billion through fiscal year 2009; the net present value of this reduction is over \$1.1 billion.	1.1
Reduced the budget request for a new foreign assistance program. In March and June 2004, we provided the Congress with information to help it assess the President’s \$2.5 billion fiscal year 2005 budget request for the Millennium Challenge Account—a new foreign assistance program intended to provide economic assistance to countries that demonstrate a commitment to ruling justly, investing in people, and encouraging economic freedom. Our work provided the Congress with a framework for identifying relationships and trade-offs between funding levels, compact length, and number of compacts (i.e., agreements). Our analysis indicated that by reducing assistance target levels, the length of compacts or both with participating countries, the program could operate at a lower funding level. We also estimated the effect of funding compacts partly from future appropriations. Our work facilitated the Congress’s decision to reduce the appropriation for the Millennium Challenge Account in fiscal year 2005 to \$1.5 billion.	1.0

Source: GAO.

Figure 2: GAO's Selected Other (Nonfinancial) Benefits Reported in Fiscal Year 2005



Source: See Image Sources.

Other benefits that helped to change laws

Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458)

Our work is reflected in this law in different ways. In our May 2004 testimony on the use of biometrics for aviation security, we reported on the need to identify how biometrics will be used to improve aviation security prior to making a decision to design, develop, and implement biometrics. Using information from our statement, the House introduced a bill on July 22, 2004, directing the Transportation Security Administration (TSA) to establish system requirements and performance standards for using biometrics, and establish processes to (1) prevent individuals from using assumed identities to enroll in a biometric system and (2) resolve errors. These provisions were later included in an overall aviation security bill and were eventually included in the Intelligence Reform and Terrorism Prevention Act of 2004, enacted in December 2004.

We conducted a body of work assessing the physical screening of airport passengers and their checked baggage. We found that the installation of systems that are in line with airport baggage conveyor systems may result in financial benefits, according to TSA estimates for nine airports. We also found that the effectiveness of the advance passenger screening under the process known as Secure Flight was not certain. TSA agreed to take corrective actions in these areas, and the Congress required TSA in the Intelligence Reform and Terrorism Protection Act to prepare a plan and guidelines for installing in-line baggage screening systems, and enacted measures to promote Secure Flight's development and implementation.

Real ID Act of 2005 (Pub. L. No. 109-13)

We reported on the verification of identity documents for drivers' licenses, noting that visual inspection of key documents lent itself to possible identity fraud. To demonstrate this, our investigators were able to obtain licenses in two states using counterfeit documents and the Social Security numbers of deceased persons. The Congress established federal identification standards for state drivers' licenses and other such documents and mandated third-party verification of identity documents presented to apply for a driver's license.

Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375)

We assisted the Congress in crafting major improvements to a program intended to compensate individuals who worked in DOE facilities and developed illnesses related to radiation and hazardous materials exposure. In a 2004 report, we identified features of the originally enacted program that would likely lead to inconsistent benefit outcomes for claimants, in part because the program depended on the varying state workers compensation systems to provide some benefits. We also presented several options for improving the consistency of benefit outcomes and a framework for assessing these options. When the Congress enacted the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, it revamped this energy employees' benefit program. Among other changes, this law federalized the payment of worker compensation benefits for eligible energy contractor employees and provided a schedule of uniform benefit payments.

**Federal Lands
Recreation Enhancement
Act (Pub. L. No. 108-447)**

Our work over the past several years has helped the Congress to establish and assess the impacts of the recreational fee demonstration program. Under this trial program, the Congress authorized the National Park Service, the Fish and Wildlife Service, the Bureau of Land Management, and the Forest Service to charge fees to visitors to, among other things, reduce the maintenance backlog at federal parks and historic places and protect these lands from visitor impacts. Since the program's inception in 1996, we have identified issues that needed to be addressed to improve the program's effectiveness that included providing (1) a more permanent source of funds to enhance stability, since the current program had to be reauthorized every 2 years; (2) the participating agencies with greater flexibility in how and where they apply fee revenues; and (3) improvements in interagency coordination in the collection and use of revenue fees to better serve visitors by making the payment of fees more convenient and equitable and reducing visitor confusion about similar or multiple fees being charged at nearby or adjacent federal recreational sites. As a result of this body of work, the Congress addressed these issues by passing the Federal Lands Recreation Enhancement Act in December 2004. This act permits federal land management agencies to continue charging fees at campgrounds, rental cabins, high-impact recreation areas, and day-use sites that have certain facilities. The act also provides for a nationally consistent interagency program, more on-the-ground improvements at recreation sites across the nation, enhanced visitor services, a new national pass for use across interagency federal recreation sites and services, and public involvement in the program.

**Consolidated
Appropriations Act, 2005
(Pub. L. No. 108-447)**

Our work is reflected in this law in different ways. At the time of our August 2003 report, the original 1999 expiration date for the franchise fund pilots operating at the Departments of Commerce, Veterans Affairs, Health and Human Services, the Interior, and the Treasury and at the Environmental Protection Agency had been extended three times. These franchise funds, authorized by the Government Management Reform Act of 1994, are part of a group of 34 intragovernmental revolving funds that were created to provide common administrative support services required by many federal agencies. For example, the Commerce Franchise Fund's business line provides IT infrastructure support services to the agency. We concluded that increasing the period of authorization would help ease concerns of current and potential clients about franchise fund stability and might allow franchise funds to add new business lines, and we suggested that the authorizations be extended for longer periods. The Congress provided permanent authority to the Treasury franchise fund in the Consolidated Appropriations Act, 2005, passed on December 8, 2004.

In 2003, we reported that most agencies could not retain the proceeds from the sale of unneeded property and this acted as a disincentive to disposing of unneeded property. We stated in our high-risk report on federal real property that it may make sense to permit agencies to retain proceeds for reinvestment in real property where a need exists. Subsequently, in the Consolidated Appropriations Act, 2005, the Congress authorized the Administrator of GSA to retain the net proceeds from the conveyance of real and related personal property. These proceeds are to be deposited into the Federal Buildings Fund and are to be used as authorized for GSA's real property capital needs.

In December 2003, we reported that 184 out of 213 Alaska Native villages are affected, to some extent, by flooding and erosion. However, these villages often have difficulty qualifying for federal assistance to combat their flooding and erosion problems. In our report, we recommended that the Denali Commission adopt a policy to guide investment decisions and project designs in villages affected by flooding and erosion. In this legislation, the Congress provided the Secretary of the Army with the authority to carry out "structural and non-structural projects for storm damage prevention and reduction, coastal erosion, and ice and glacial damage in Alaska, including relocation of affected communities and construction of replacement facilities."

**Consolidated
Appropriations Act, 2005
(Pub. L. No. 108- 447)**

To improve the federal government's ability to collect billions of dollars of outstanding criminal debt, we recommended in a 2001 report, that the Department of Justice work with other agencies involved in criminal debt collection, including the Administrative Office of the U.S. Courts, the Department of the Treasury (Treasury), and OMB, to develop a strategic plan that would improve interagency processes and coordination with regard to criminal debt collection activities. The conference report that accompanied the Consolidated Appropriations Act, 2005, directed the Attorney General to assemble an interagency task force for the purposes of better managing, accounting for, reporting, and collecting criminal debt.

Other benefits that helped to improve services to the public

**Encouraged
improvements in the
process for ensuring
states' compliance with
education laws for the
disabled**

Our report found that the Department of Education's (Education) system for resolving noncompliance with the Individuals with Disabilities in Education Act is protracted. We found that resolution of noncompliance cases often takes several years, in part because Education took a year on average from the time it identified noncompliance to issue a report citing the noncompliance. We therefore recommended that Education improve its system of resolving noncompliance by shortening the amount of time it takes to issue a report of noncompliance and by tracking changes in response times under the new monitoring process. In response to our recommendation, Education has instituted an improved process for managing and tracking the various phases of the monitoring process, which includes the creation of a database to facilitate this tracking. This new tracking system will enable Education to better monitor the status of existing noncompliance, and thus enable the department to take appropriate action when states fail to come into compliance in a timely manner.

**Identified a weakness in
Medicare's telephone
assistance service**

In 2004, we found that the 24-hour 1-800-MEDICARE help line, operated by the Centers for Medicare & Medicaid Services (CMS), did not answer 10 percent of the calls we placed to test its accuracy, often because it automatically transferred some calls to claims administration contractors that were not open for business at the time of the call. This call transfer process prohibited callers from accessing information during nonbusiness hours, even though 1-800-MEDICARE operates 24 hours a day. As a result, we recommended that CMS revise the routing procedures of 1-800-MEDICARE to ensure that calls are not transferred or referred to claims administration contractors' help lines during nonbusiness hours. In response, CMS finished converting its call routing procedures. As a result, calls placed after normal business hours will be routed to the main 1-800-MEDICARE help line for assistance.

**Highlighted the need for
increased security at a
federal disease research
facility**

United States Department of Agriculture scientists at the Plum Island Animal Disease Center research contagious animal diseases that have been found in other countries. The mission of the facility, now administered by DHS, is to develop strategies for protecting the nation's animal industries and exports from these foreign animal diseases. In our September 2003 report, *Combating Bioterrorism: Actions Needed to Improve Security at Plum Island Animal Disease Center*, we made several recommendations to improve security at the facility and reduce vulnerability to terrorist attacks. Among other things, we recommended that the Secretary of Homeland Security, in consultation with the Secretary of Agriculture, enhance incident response capability by increasing the size of the guard force. DHS has informed us that this has been completed. According to the Director of Plum Island, DHS has more than doubled the number of guards assigned on each shift on Plum Island.

Other benefits that helped to promote sound agency and governmentwide management**Recommended a process to increase the efficiency of DOD procurements**

DOD spending on service contracts approaches \$100 billion annually, but DOD's management of services procurement is inefficient and ineffective and the dollars are not always well spent. Many private companies have changed management practices based on analyzing spending patterns and coordinating procurement efforts in order to achieve major savings. We recommended that DOD adopt the effective spend analysis processes used by these leading companies and use technology to automate spend analysis to make it repeatable. In response, DOD is developing new technology to do that. According to DOD and contractor project managers, one phase of the project was completed in December 2004. In March 2005, DOD approved a business case analysis to seek follow-on funding for developing a DOD-wide spend analysis system.

Improved the Air Force's oversight of purchase card transactions

As part of our audit of Air Force purchase card controls, we identified transactions that Air Force officials acknowledged to be fraudulent as well as potentially fraudulent transactions that the Air Force had not identified. To improve Air Force oversight of purchase card activity and facilitate the identification of systemic weaknesses and deficiencies in existing internal control and the development of additional control activities, we recommended that the Air Force establish an agencywide database of known purchase card fraud cases. In lieu of establishing a separate agencywide database, during fiscal year 2003, the Air Force Office of Special Investigations initiated quarterly reporting on its purchase card investigations to the DOD IG for macro-level analysis of systemic weaknesses in the program. Our ongoing collaboration with the DOD IG on DOD's purchase card program confirmed that the Air Force's Office of Special Investigations is working effectively with DOD's IG on data-mining techniques for detection of potentially improper and fraudulent purchase card transactions. As a result of our work, the Air Force has taken action to reduce the financial risk associated with undetected fraud and abuse in its purchase card program.

Encouraged the Census Bureau to produce training materials in other languages

For the 2000 Census, the United States Census Bureau (Bureau) printed material used to train census workers only in English, except in Puerto Rico where training materials were available in Spanish. However, to better prepare census workers—some of whom speak Spanish as their first language—to locate migrant farm workers and other hard-to-count groups, we recommended that the Bureau consider providing training materials in languages other than English to targeted areas. In response to our recommendation, the Bureau is researching foreign-language data collection methods as part of its preparations for the 2006 Census test and, more generally, plans to identify areas and operations that will require in-language training materials for areas with very large, new migrant populations where it will not be possible to hire bilinguals. Moreover, the Bureau's June 2005 request for proposals for a Field Data Collection Automation System includes a requirement for the contractor to provide training applications and materials in English and Spanish for the handheld computers enumerators are to use to count nonrespondents.

Source: GAO.

Table 4: Selected Testimony Issues, Fiscal Year 2005

Goal 1: Address Challenges to the Well-Being and Financial Security of the American People		
<ul style="list-style-type: none"> • Head Start grants management • Retirement options for seniors • Postal service reform legislation • Wildland fire management • National air traffic system • Providing services to seriously injured veterans • Endangered Species Act 	<ul style="list-style-type: none"> • Preparing for influenza pandemic • Long-term health care costs and government budgets • Veterans' disability claims • Medicaid financing issues • Amtrak's Acela train • Rural housing service • Federal oversight of the E-rate program 	<ul style="list-style-type: none"> • Overseeing the U.S. food supply • Energy demand in the 21st century • Social Security reform • Meeting the future demand for energy in the United States • Protecting nuclear material handled at science and environmental sites • Federal real property
Goal 2: Respond to Changing Security Threats and the Challenges of Globalization		
<ul style="list-style-type: none"> • Army's modular forces • Acquisition challenges facing the Navy's DD(X) destroyer program • Oil for Food program • Managing violations of restricted air space • Protecting U.S. officials overseas from terrorist attacks • Implementing laws that protect the security of information 	<ul style="list-style-type: none"> • U.S. passport fraud • Tactical aircraft modernization • Unmanned aerial vehicles • Federal oversight of mutual funds to ensure investor security • DOD's business transformation • DOD's national security personnel system 	<ul style="list-style-type: none"> • Cargo security strategies • DOD security clearances • Condition of Coast Guard aircraft and ships used in deep waters • Port security • Transportation security issues • Acquisition challenges facing the Army's future combat systems
Goal 3: Help Transform the Federal Government's Role and How it Does Business		
<ul style="list-style-type: none"> • Long-term fiscal issues affecting the federal government • Air Force procurement protests • Space shuttle workforce issues • Management and control of DO excess property • High-risk federal programs • Improper Payments Information Act 	<ul style="list-style-type: none"> • Gaps in military pay and benefits • Human capital transformation at DHS • Pricing the tax gap • Pricing federal multiple award contracts • Army National Guard travel reimbursement issues • Agencies' continuity of operations plans 	<ul style="list-style-type: none"> • 21st century challenges for the federal government • Preparing for emergencies at federal agencies • U.S. government financial statements • Performance budgeting • Space acquisitions and investment planning • DHS's Student and Exchange Visitor Information System

GAO's High-Risk Program

Issued to coincide with the start of each new Congress, our high-risk update, first used in 1993, has helped Members of the Congress who are responsible for oversight and executive branch officials who are accountable for performance. Our high-risk program focuses on major government programs and operations that need urgent attention or transformation to ensure that our government functions in the most economical, efficient, and effective manner possible. Overall, our high-risk program has served to identify and help resolve a range of serious weaknesses that involve substantial resources and provide critical services to the public. Table 5 details our 2005 high-risk list.

Table 5: GAO's 2005 High-Risk List

2005 high-risk area	Year designated high risk
Addressing challenges in broad-based transformations	
Strategic Human Capital Management ^a	2001
U.S. Postal Service Transformation Efforts and Long-Term Outlook ^a	2001
Managing Federal Real Property ^a	2003
Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	1997
Implementing and Transforming the Department of Homeland Security	2003
Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
DOD Approach to Business Transformation ^a	2005
DOD Business Systems Modernization	1995
DOD Personnel Security Clearance Program	2005
DOD Support Infrastructure Management	1997
DOD Financial Management	1995
DOD Supply Chain Management (formerly Inventory Management)	1990
DOD Weapon Systems Acquisition	1990
Managing federal contracting more effectively	
DOD Contract Management	1992

2005 high-risk area	Year designated high risk
DOE Contract Management	1990
NASA Contract Management	1990
Management of Interagency Contracting	2005
Assessing the efficiency and effectiveness of tax law administration	
Enforcement of Tax Laws ^{a,b}	1990
IRS Business Systems Modernization ^c	1995
Modernizing and safeguarding insurance and benefit programs	
Modernizing Federal Disability Programs ^a	2003
Pension Benefit Guaranty Corporation Single-Employer Insurance Program ^a	2003
Medicare Program ^a	1990
Medicaid Program ^a	2003
HUD Single-Family Mortgage Insurance and Rental Housing Assistance Programs	1994
Other	
Federal Aviation Administration (FAA) Air Traffic Control Modernization	1995

Source: GAO.

^a Legislation is likely to be necessary, as a supplement to actions by the executive branch, in order to effectively address this high-risk area.

^b Two high-risk areas—collection of unpaid taxes and earned income credit noncompliance—have been consolidated to make this area.

^c The IRS financial management high-risk area has been incorporated in this high-risk area.

Concluding Remarks

We are grateful for the Congress's continued support of our joint effort to improve government and for providing the resources that allow us to be a world-class professional services organization. We are proud of the positive impact we have been able to affect in government over the past year and believe an investment in GAO will continue to yield substantial returns for the Congress and the American people. Our nation will continue to face significant challenges in the years ahead. GAO's expertise and involvement in virtually every facet of government positions us to provide the Congress with the timely, objective, and reliable information it needs to discharge its constitutional responsibilities.

This concludes my statement. I would be pleased to answer any questions the Members of the Committee may have.

Appendix I: Serving the Congress—GAO's Strategic Plan Framework

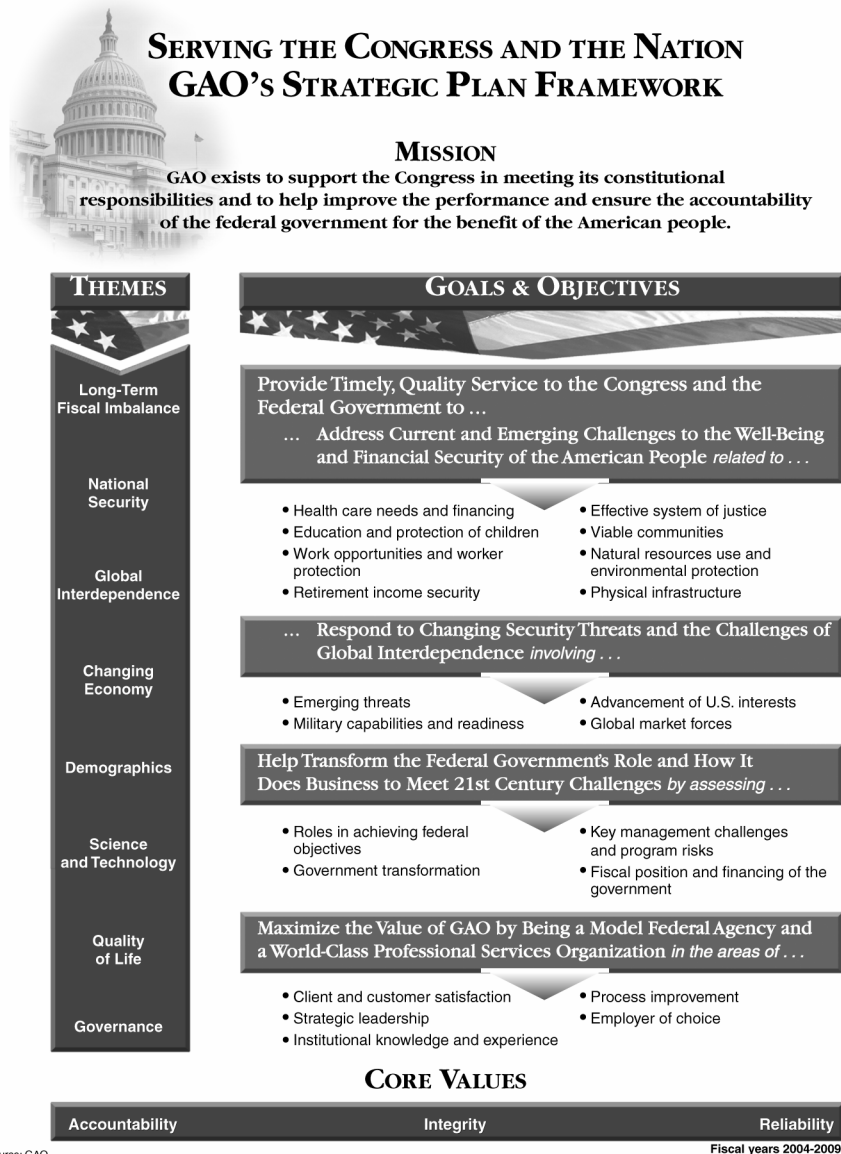


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