

**GAO**

Testimony

Before the Committee on Homeland  
Security and Governmental Affairs,  
U.S. Senate

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For Release on Delivery  
Expected at 9:30 a.m. EDT  
Wednesday, March 21, 2007

**UNITED STATES  
GOVERNMENT  
ACCOUNTABILITY OFFICE**

**Supporting the Congress  
through Oversight, Insight,  
and Foresight**

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





Highlights of [GAO-07-644T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Prepared This Statement

The Committee sought GAO's views on the role GAO has played in assisting congressional oversight and the authorities and resources GAO needs to further improve its assistance to the Congress.

Today's testimony discusses some of the ways that GAO has helped "set the table" for this Committee, the Congress, the executive branch, and the nation to engage in a constructive and informed dialogue about the challenges and opportunities our nation is facing in the 21st century. It also discusses the authority and resources GAO will need to address the critical oversight and other needs of the Congress.

## What GAO Recommends

This statement summarizes a comprehensive body of GAO's published work in support of the Congress, much of which offered recommendations to address specific issues. As such, this statement makes no new recommendations.

[www.gao.gov/cgi-bin/getrpt?-GAO-07-644T](http://www.gao.gov/cgi-bin/getrpt?-GAO-07-644T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gene Dodaro at (202) 512-5600 or [dodarog@gao.gov](mailto:dodarog@gao.gov).

# UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

## Supporting the Congress through Oversight, Insight, and Foresight

### How GAO Assists the Congress

GAO is a key tool for the Congress as it works to improve economy, efficiency, effectiveness, equity, and ethics within the federal government. To better meet the needs of the Congress, GAO has transformed itself to provide a range of key oversight, insight, and foresight services while "leading by example" in transforming how government should do business.

GAO's **oversight** work has traditionally focused on ensuring government entities are spending funds as intended by the Congress and complying with applicable laws and regulations, while guarding against fraud, waste, abuse, and mismanagement. For example, since the early 1990s, GAO has updated its list of government programs and operations across government that it identifies as "high risk." It has contributed to the Congress enacting a series of governmentwide reforms and achieving tens of billions of dollars in financial benefits. Last November, GAO issued recommendations for oversight in the 110<sup>th</sup> Congress ranging from Iraq, to food safety, to the tax gap.

GAO work also provides important **insight** into what programs, policies, and operations are working well; best practices to be shared and benchmarked; how agencies can improve the linkages across the silos of government; and how different levels of government and their nongovernmental partners can be better aligned to achieve important outcomes for the nation. For example, GAO developed a number of crosscutting and comprehensive reviews of the preparedness for, response to, and recovery from the 2005 Gulf Coast hurricanes. GAO has issued over 40 related reports and testimonies, and in work for this Committee and others GAO is examining lessons learned from past national emergencies and catastrophic disasters—both at home and abroad—that may prove useful in identifying ways to approach rebuilding.

Finally, GAO's work can provide the Congress with **foresight** by highlighting the long-term implications of today's decisions and identifying key trends and emerging challenges facing our nation before they reach crisis proportions. As the Chief Accountability Officer of the United States Government, the Comptroller General continues to call attention to the nation's long-term fiscal challenge and the risks it poses to our nation's future.

Continuously improving on the critical role GAO plays in supporting the Congress will require enhancements to GAO's resources and authorities. GAO's fiscal year 2008 budget request seeks resources to allow it to rebuild and enhance its workforce, knowledge capacity, employee programs, and infrastructure. GAO will be proposing changes to its authority, such as the ability to administer oaths in conducting its work, relief from certain mandated reviews, additional human capital flexibilities, and the creation of a Board of Contract Appeals at GAO. Finally, the Comptroller General has noted that GAO should be increased in size over the next 6 years to address the current and anticipated needs of the Congress.

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Mr. Chairman, Senator Collins, and Members of the Committee:

I appreciate the invitation to talk with you today about the important role that GAO plays in supporting the Congress. I believe that GAO is a key tool for the Congress as it works to improve economy, efficiency, effectiveness, equity, and ethics within the federal government. I would like to share with you some of the many ways that GAO has transformed itself to provide a range of key oversight, insight, and foresight services to the Congress while “leading by example” in transforming how government should do business. In this regard, I will highlight some of the ways that GAO has helped “set the table” for this Committee, the Congress, the executive branch, and the nation to engage in a constructive and informed dialogue about the challenges and opportunities we are all facing in the 21st century.

As this Committee well knows, if the federal government continues on its current fiscal path it would gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately even our domestic tranquility and our national security. To build public awareness of our fiscal challenges and the hard decisions that must be made, I have engaged in a number of actions, including participating in a series of town hall forums around the nation to discuss the federal government’s current financial condition and deteriorating long-term fiscal outlook. These challenges are driven primarily by known long-term demographic trends and rising health care costs. These town hall forums, and related “outside the Beltway events,” popularly referred to as the “Fiscal Wake-Up Tour,” are led by the Concord Coalition and also include representatives from the Heritage Foundation, the Brookings Institution, and a range of “good government” groups. The Fiscal Wake-Up Tour states the facts regarding the nation’s current financial condition and long-term fiscal outlook in a professional and nonpartisan manner in order to increase public awareness and hopefully accelerate actions by appropriate federal, state, and local officials.

In addition to the great fiscal challenge we face, the world in which we live and in which the federal government and the Congress operate is rapidly changing because of numerous borderless trends, such as globalization, changing security threats, societal change, and scientific and technological advancement. These forces are exerting increasing pressure on the current outmoded state of the federal government, presenting fundamental and difficult public policy, organizational, operational, and funding decisions. As such, these trends are driving the public, the executive branch, and the Congress to engage in a fundamental reexamination of the government

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and its priorities. At the center of this reexamination are basic questions about what the government does, how it does it, who does it, and how it is financed.

Such a broad and fundamental reexamination of the federal government is going to test political wills, agency cultures, and oversight frameworks. As you know, the traditional committee structures loosely aligned with federal budget categories do not always lend themselves to addressing the many crosscutting and long-range challenges facing our nation. However, this Committee is uniquely positioned in the Senate to take the long view and reach across jurisdictional boundaries to confront the challenges and capitalize on related opportunities with a unity of spirit and of purpose. The members of this Committee—and you are not alone in the Congress—have recognized the importance of oversight in beginning to address our many 21st century challenges. Hearings, investigations, and special studies that come with oversight can help not only to reveal the underlying causes of these challenges, but also—importantly—help educate the American people about the makeup of these challenges so that the nation, and the Congress, is better prepared to confront them together. In this regard, I believe that to be effective, congressional oversight needs to be constructive. For example, related hearings and other activities should offer opportunities for leading federal agencies to share best practices and facilitate governmentwide transformation. They should also hold people accountable for delivering positive results in an economical, efficient, effective, ethical, and equitable manner. This balanced approach is likely to help accelerate progress while avoiding a further erosion of the public's trust and confidence in government.

GAO also seeks to help provide the insight and foresight to complement the oversight work we have performed for the Congress for many years. Our oversight work has focused on ensuring that government entities are spending funds for their intended purposes; and complying with applicable laws and regulations, and guarding against fraud, waste, abuse, and mismanagement. Our work also provides important insight on what programs, policies and questions are working well; best practices to be shared and benchmarked; how agencies can improve the horizontal linkages across the silos of government; and how different levels of government and their nongovernmental partners can become better aligned to achieve important outcomes for the nation. Finally, our work can provide the Congress with foresight by highlighting the long-term implications of today's decisions and identifying key trends and emerging challenges facing our nation before they reach crisis proportions.

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Our work increasingly brings a combination of oversight, insight, and foresight to bear on our nation's most pressing and important emerging issues. The following are two recent examples. First, in January 2007, we issued a report containing a series of issue papers for the Congress to consider in developing an oversight agenda for securing, stabilizing, and rebuilding Iraq.<sup>1</sup> Those papers built on our ongoing work and the 67 Iraq-related reports and testimonies we have provided to the Congress since May 2003. By spanning the security, political, economic, and reconstruction prongs of the U.S. national strategy in Iraq, our work helps the Congress maximize the benefits of its oversight dollars by minimizing the possibility of overlap and duplication by any individual inspector general. Our Iraq work has focused on keeping the Congress current and informed on key topics of direct interest, such as the U.S. strategy and costs of operating in Iraq, training and equipping the Iraqi security forces, selected governance and reconstruction issues, the readiness of U.S. military forces, and achieving desired acquisition outcomes.

Second, also in January of this year, we issued a new publication, titled *Fiscal Stewardship: A Critical Challenge Facing Our Nation* that is designed to provide the Congress and the American public, in a relatively brief and understandable form, selected budget and financial information regarding our nation's current financial condition, long-term fiscal outlook, and possible ways forward.<sup>2</sup> In the years ahead, our support to the Congress will likely prove 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 the Congress considers those fiscal pressures, it will be grappling with tough choices about what government does, how it does business, who will do the government's business, and how we should measure success. We strive to continue to be an invaluable tool for helping the Congress review, reprioritize, and revise existing mandatory and discretionary spending programs and tax policies.

Although our work often entails multiple elements of oversight, insight, and foresight, I will use these terms as categories to highlight just some of the ways that GAO has helped in framing the challenges and opportunities facing the nation, as well as possible ways forward in addressing them.

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<sup>1</sup>GAO, *Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight*, [GAO-07-308SP](#) (Washington, D.C.: Jan. 9, 2007).

<sup>2</sup>GAO, *Fiscal Stewardship: A Critical Challenge Facing Our Nation*, [GAO-07-362SP](#) (Washington, D.C.: Jan. 31, 2007).

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## Helping the Congress through Oversight

GAO's work helps to facilitate holding agencies accountable for delivering positive results in an economical, efficient, effective, ethical, and equitable manner. I would like to highlight just a few of our recent efforts to assist the Congress in identifying and addressing areas for continued or additional oversight:

**Identifying pressing oversight issues for the Congress:** On November 17, 2006, I provided three sets of recommendations for consideration as part of the agenda of the 110th Congress.<sup>3</sup> The first set of recommendations suggested targets for near-term oversight, such as the need to reduce the tax gap—the difference between the amounts taxpayers pay voluntarily and on time and what they should pay under the law. The second proposes policies and programs in need of fundamental reform and reengineering, such as reforming Medicare and Medicaid to improve their integrity and sustainability. The third listed various governance issues that need to be addressed, such as the need for various budget controls and legislative process revisions in light of current deficits and our long-range fiscal imbalance. The proposals, which synthesized GAO's institutional knowledge and special expertise, point to both the breadth and the depth of the issues facing the Congress. Appendix I provides a complete list of the 36 recommendations in our letter.

**Identifying high-risk areas:** We provide updates to our list of government programs and operations that we identify as “high-risk” at the start of each new Congress to help in setting congressional oversight agendas. These reports, which have been produced since the early 1990s, have brought a much-needed oversight focus to a targeted list of major challenges that are impeding effective government and costing the government billions of dollars each year. They help the Congress and the executive branch carry out their responsibilities while improving the government's performance and enhancing its accountability. In recent years, we have also identified several high-risk areas to focus on the need for broad-based transformations to address major economy, efficiency, effectiveness, relevance, and relative priority challenges. In fact, our focus on high-risk challenges contributed to the Congress enacting a series of governmentwide reforms to strengthen financial management; improve information technology practices; instill a more effective, credible, and

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<sup>3</sup>GAO, *Suggested Areas for Oversight for the 110th Congress*, [GAO-07-235R](#) (Washington, D.C.: Nov. 17, 2006).

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results-oriented government; and address critical human capital challenges.

Further, our high-risk program has helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. This Committee has a particular interest in a number of areas on our latest high-risk list. For example, implementation and transformation of the Department of Homeland Security (DHS), protecting the federal government's information systems, establishing appropriate and effective information-sharing mechanisms to improve homeland security, and Department of Defense (DOD) supply chain management. In part because of the oversight and legislative efforts of the Congress, of the 47 areas that have appeared on our high-risk list since 1990, 18 improved enough to be removed from the list. Such leadership can be invaluable in identifying and putting in place the kinds of change needed to address these often long-standing problems.

In our recent January 2007 High-Risk Series update, we added three new high-risk areas; (1) financing the nation's transportation system, (2) ensuring the effective protection of technologies critical to U.S. national security interests, and (3) transforming federal oversight of food safety. But we also reported that progress had been made in all existing high-risk areas, and that progress was sufficient in two areas for us to remove high-risk designation: (1) U.S. Postal Service transformation efforts and long-term outlook, and (2) HUD single-family mortgage insurance and rental housing assistance programs. This Committee has provided valuable leadership to efforts to gain needed improvements in high-risk areas. In this regard, and, as one example, I want to acknowledge the key commitment and contribution of this Committee in passing postal reform legislation last December. This action was one of the primary reasons we felt that we could take the Postal Service's transformation and long-term outlook off of our high-risk list in January. As I have been testifying on the need for comprehensive postal reform since 2001, I believe that the recently passed legislation will provide opportunities to build a sound foundation for modernizing the Postal Service, reassessing the service standards required by the American people, and ensuring continued affordable universal postal services for the future. Our work related to areas we have designated as high-risk has also had a financial impact. In fiscal year 2006 alone, actions by both the Congress and the executive branch in response to GAO's recommendations resulted in approximately \$22 billion in financial benefits. Appendix II lists the current high-risk areas.

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**Identifying systemic federal financial management challenges:** As I testified yesterday, for the 10th consecutive year, GAO was unable to express an opinion on the federal government's financial statements due to the government's inability to demonstrate the reliability of significant portions of the financial statements.<sup>4</sup> Federal agencies will need to overcome three major impediments to our ability to render an opinion on the federal government's financial statements: (1) resolving serious weaknesses in DOD's business operations, including pervasive, complex, long-standing, and deeply rooted financial management weaknesses; (2) adequately accounting for and reconciling intragovernmental activity and balances; and (3) developing adequate systems, controls, and procedures to ensure that the consolidated financial statements are consistent with the underlying audited agency financial statement, balanced, and in conformity with generally accepted accounting principles. In testimony earlier this month,<sup>5</sup> I outlined the principal challenges and ideas on how to move forward to fully realizing world-class financial management in the federal government. Additionally, I have suggested to the Congress that it may be time to consider further revisions to the current federal financial reporting model. Such an effort could address the kind of information that is most relevant and useful for a sovereign nation; the role of the balance sheet in federal government reporting; the reporting of items that are unique to the federal government, such as social insurance commitments and the power to tax; and the need for additional fiscal sustainability, intergenerational equity and performance reporting.

**Addressing governmentwide acquisition and contracting issues:** Acquisition issues are heavily represented on GAO's list of government high-risk areas,<sup>6</sup> and in the 21st century, the government needs to reexamine and evaluate both its strategic and tactical approaches to acquisition and contracting matters. GAO has played an important role in describing the current state of government contracting, identifying the

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<sup>4</sup>GAO, *Fiscal Year 2006 U.S. Government Financial Statements: Sustained Improvement in Federal Financial Management Is Crucial to Addressing Our Nation's Accountability and Fiscal Stewardship Challenges*, [GAO-07-607T](#) (Washington, D.C.: Mar. 20, 2007).

<sup>5</sup>GAO, *Federal Financial Management: Critical Accountability and Fiscal Stewardship Challenges Facing Our Nation*, [GAO-07-542T](#) (Washington, D.C.: Mar. 1, 2007).

<sup>6</sup>GAO's 2007 high-risk list included contract management at DOD, the Department of Energy, the National Aeronautics and Space Administration, and management of interagency contracting.

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challenges agencies face, and recommending specific steps agencies should take to improve their acquisition and contracting outcomes. I hosted a forum in July 2006 that brought together experts in the acquisition community from inside and outside the government to share their insights on challenges and opportunities for improving federal acquisition outcomes in an environment of increasing reliance on contractors and severe fiscal constraint.<sup>7</sup> The observations from that forum help frame many of the federal acquisition workforce challenges that the government is going to have to wrestle with. In addition, the Congress has assigned GAO the responsibility for adjudicating protests of agency procurement decisions. Our bid protest decisions address specific allegations raised by unsuccessful offerors challenging particular procurement actions as contrary to procurement laws and regulations. In carrying out this role, GAO is instrumental not only in resolving the specific cases at hand, but also helping to focus attention on how various initiatives by both the Congress and the executive branch are being implemented in practice, and we provide Congress with assurance of enhanced transparency, performance and accountability in the federal procurement system.

**Investing in GAO's forensic investigation capabilities:** This committee actively encouraged and supported the creation within GAO of the additional capacity provided by our new Forensic Audits and Special Investigations (FSI) team in May 2005. This unit integrates the strengths of GAO's investigative, forensic audit, the FraudNet hotline, and analyst staff. Since its creation, FSI has performed audits and investigations for numerous congressional committees focused on fraud, waste, and abuse and homeland and national security issues. Specifically, for this Committee and the Permanent Subcommittee on Investigations, FSI has delivered testimonies highlighting billions of dollars of delinquent federal taxes owed by government contractors, over \$1 billion of potentially fraudulent and improper hurricane Katrina and Rita individual assistance payments, tens of millions of dollars of waste associated with misuse of premium class travel at the State Department, and millions more of waste related to improper use of government aircraft at the National Aeronautics and Space Administration. FSI also testified that it was able to smuggle radioactive materials across the northern and southern borders using counterfeit documents. Recently, FSI hired a senior-level expert in

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<sup>7</sup>GAO, *Highlights of a GAO Forum: Federal Acquisition Challenges and Opportunities in the 21st Century*, [GAO-07-45SP](#) (Washington, D.C.: Oct. 6, 2006).

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procurement fraud, waste, and abuse, giving it the capability to do targeted work in this area. In fact, the first FSI work in this area is being performed at the request of this Committee and relates to allegations of fraud, waste, and abuse by contractors involved in recovery work following hurricanes Katrina and Rita.

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## Helping the Congress through Insight

GAO's work helps to identify programs, policies, and practices that are working well, and opportunities to improve their linkages across agencies, across all levels of government, and with nongovernmental partners in order to achieve positive national outcomes. The following are a few examples of our recent efforts to assist the Congress with such insight:

**Providing a comprehensive framework for congressional oversight of hurricanes Katrina and Rita:** We developed a number of crosscutting and comprehensive reviews of aspects of the preparedness for, response to, and recovery from the 2005 Gulf Coast hurricanes. In the immediate aftermath of the storms, staff drawn from across the agency spent time in the hardest hit areas of Louisiana, Mississippi, Alabama, and Texas, collecting information from government officials at the federal, state, and local levels as well as from private organizations assisting with this emergency management effort. We examined how federal funds were used during and after the disaster and identified the rescue, relief, and rebuilding processes that worked well and not so well throughout the effort. We issued over 40 related reports and testimonies to date, focusing on, among other issues, minimizing fraud, waste, and abuse in disaster assistance; rebuilding the New Orleans hospital care system; and developing the capabilities needed to respond to and recover from future catastrophic disasters. Building on this work, we continue to support your Committee and others through a range of audit and evaluation engagements to examine federal programs that provide rebuilding assistance to the Gulf Coast, including the federal government's contribution to the rebuilding effort and the role it might play over the long term. We are examining lessons learned from past national emergencies and catastrophic disasters—both at home and abroad—that may prove useful in identifying ways to approach rebuilding.

**Recommending improved management structures for enhancing performance and ensuring accountability:** We have identified a chief operating officer (COO)/chief management officer (CMO) position as one approach for building the necessary leadership and management structure that could be used to help to elevate, integrate, and institutionalize responsibility for key functional management initiatives, and provide the

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continuing, focused attention essential to successfully completing multiyear, high-risk, business transformations.<sup>8</sup> Such a COO/CMO position could be useful in selected agencies with significant transformation and integration challenges, such as DOD, DHS, and the Office of the Director of National Intelligence (ODNI), and would improve accountability within those agencies and to the Congress for outstanding business challenges. In that regard, I was pleased to see that an amendment creating a Deputy Secretary for Management position at DHS was recently accepted by the Senate as part of the proposed Improving America's Security Act of 2007, and that a similar position would be established in DOD with other legislation recently introduced in the Senate. As you know, in 2005, we reported that as currently structured, the roles and responsibilities of the DHS Under Secretary for Management contained some of the characteristics of a COO/CMO, but we suggested that the Congress should consider whether a revised organizational arrangement is needed at DHS to fully capture the roles and responsibilities of a COO/CMO position.<sup>9</sup> While I believe that a COO/CMO position is highly desirable within DHS and ODNI, I believe it is essential for a successful business transformation effort within DOD.

**Developing a framework for human capital reform:** In recent years, many federal agencies, including DOD, DHS, and GAO, have achieved various legislative flexibilities in the human capital area. Others are seeking such authorities, and a risk exists that the system relating to civil servants will fragment over time. In order to help prevent such a fragmentation and guide human capital reform efforts, we have proposed that there should be a governmentwide framework. A forum that I hosted in 2004 outlined a set of principles, criteria, and processes that establish boundaries and checks while also allowing needed flexibility to manage agency workforces. To help build on this framework, we have provided information on the statutory human capital authorities that the Congress has already provided to numerous federal agencies. Given that there is widespread recognition that a “one size fits all” approach to human capital management is not appropriate for the challenges and demands

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<sup>8</sup>GAO, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, [GAO-03-192SP](#) (Washington, D.C.: Oct. 4, 2002).

<sup>9</sup>GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, [GAO-05-139](#) (Washington, D.C.: Mar. 16, 2005).

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government faces, we have proposed a phased approach to reform—a “show me” test—that requires agencies to demonstrate institutional readiness before they are allowed to implement major human capital reforms. That is, each agency should demonstrate that it has met certain conditions before it is authorized to undertake significant human capital reforms, such as linking pay to performance. The Congress used this approach in the establishment of a new performance management system for the Senior Executive Service (SES), which required agencies’ systems to be certified before allowing a higher pay range for SES members. Using a governmentwide framework to advance needed human capital reform should be beneficial as the federal government continues to transform how it classifies, compensates, develops, and motivates its employees to achieve maximum results within available resources and existing authorities.

**Key national indicators initiative:** A set of key and outcome-based national indicators can help to assess the overall position and progress of our nation in key areas, frame strategic issues, support more informed policy choices, and enhance accountability. A cooperative initiative to develop a key national indicator system emerged after we, in cooperation with the National Academies, convened a forum in February 2003.<sup>10</sup> This initiative is attempting to develop a key national indicator system for the United States.<sup>11</sup> In response to congressional interest in building upon lessons learned from other efforts both around the country and worldwide, we reported in November 2004 on the current state of the practice of developing comprehensive key indicator systems, identifying design features and organizational options for such a system in the United States. We have also helped increase international understanding and use of indicator systems, such as through my participation in the Organisation for Economic Co-operation and Development’s (OECD) First World Forum on Key Indicators in 2004 and through my upcoming participation in OECD’s Second World Forum, Measuring and Fostering the Progress of Societies, in June 2007. As development of a U.S. key national indicator system progresses, we expect to continue to be involved, building upon prior efforts and in response to congressional interests. Finally, in my view such a key national indicator system is needed, and the Congress should

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<sup>10</sup>GAO, *Informing Our Nation: Improving How to Understand and Assess the USA’s Position and Progress*, [GAO-05-1](#) (Washington, D.C.: Nov. 10, 2004).

<sup>11</sup>GAO, *Forum on Key National Indicators: Assessing the Nation’s Position and Progress*, [GAO-03-672SP](#) (Washington, D.C.: May 2003).

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strongly consider a public/private partnership in order to help it become a reality.

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## Helping the Congress through Foresight

Our products and assistance to the Congress also focus on a wide range of emerging needs and identify and address governance issues that must be addressed to respond to a broad range of 21st Century challenges and opportunities. I would like to highlight just a few of our recent efforts to assist the Congress with foresight.

**Increasing public understanding of the long-term fiscal challenge:** Since 1992, we have published long-term fiscal simulations in response to a bipartisan request from members of the Congress who were concerned about the long-term effects of our nation's fiscal policy. Our current simulations continue to show ever-larger deficits resulting in a federal debt burden that ultimately spirals out of control.<sup>12</sup> As the Chief Accountability Officer of the United States Government, I continue to call attention to our long-term fiscal challenge and the risks it poses to our nation's future. I mentioned earlier my participation with the Concord Coalition, the Brookings Institution, and the Heritage Foundation in the Fiscal Wake-Up Tour. In our experience, having these people, with quite different policy views on how to address our long-range imbalance, agree on the nature, scale, and importance of the issue—and on the need to sit down and work together on a bipartisan basis and start making tough choices now—resonates with the audiences. I have long believed that the American people can accept difficult decisions as long as they understand why such steps are necessary. The Fiscal Wake-Up Tour has received the active support and involvement of community leaders, local colleges and universities, the media, the business community, and both former and current members of the Congress. We have coordinated town hall meetings in 20 states to date with more planned in the future.

**Improving transparency in connection with financial, fiscal, budget, and selected legislative matters:** Washington often suffers from both myopia and tunnel vision. This can be especially true in the budget debate in which we focus on one program at a time and the deficit for a single year or possibly the costs over 5 years without asking about the bigger

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<sup>12</sup>Additional information about the GAO model, its assumptions, data, and charts can be found at <http://www.gao.gov/special.pubs/longterm/>. For a summary of our most recent results, see *The Nation's Long-Term Fiscal Outlook: January 2007 Update*, [GAO-07-510R](#) (February 2007).

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picture and whether the long term is getting better or worse. Since at its heart the budget challenge is a debate about the allocation of limited resources, the budget process can and should play a key role in helping to address our long-term fiscal challenge and the broader challenge of modernizing government for the 21st century. We are helping to increase the understanding of and focus on the long term in our policy and budget debates. To that end, I have outlined a number of ideas in a draft legislative proposal that we refer to as TAB—Transparency in Accounting and Budgeting. I have been sharing it with selected Members of Congress and others interested in this issue. The proposal would serve to

- increase transparency in financial and budget reporting as well as in the budget and legislative processes to highlight our long-term fiscal challenges;
- require publication of a summary annual report and periodic fiscal sustainability reports; and
- require GAO to report annually on selected financial, fiscal, and reporting matters.

I am hopeful that this committee will embrace this proposal and work with other interested members of Congress toward enactment of legislation advancing these important goals.

**Identifying 21st century challenges:** In February 2005 we issued a report titled *21st Century Challenges: Reexamining the Base of the Federal Government*,<sup>13</sup> in which we identified challenges our government—and nation—face. The report laid out the case for change and identified a range of challenges and opportunities. It also presented more than 200 illustrative questions that need to be asked and answered. These questions look across major areas of the budget and federal operations, including discretionary and mandatory spending and tax policies and programs. Questions raised specific issues, such as how intelligence and information on threats can be shared with other levels of government, yet be held secure, and whether our current federal income-based tax system is adequate, equitable, competitive, sustainable, and administrable in an increasingly global economy. I am very pleased to see that this important report, among other things, is being used by various congressional

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<sup>13</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

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committees as they consider which areas of government need particular attention and reconsideration.

**Continuing to apply a strategic framework to GAO's work:** We will be issuing products soon to help communicate the strategic framework we are using to guide all of our work, in support of the 110th Congress and in light of the challenges the nation faces. Specifically, we will soon issue an update of our strategic plan, which describes our goals and strategies for serving the Congress for fiscal years 2007 through 2012. The broad goals and objectives of our plan have not altered dramatically since our last plan, but events such as the continuing war in Iraq and recent natural disasters account for modifications in emphasis. Appendix III provides a draft summary of GAO's strategic plan framework for serving the Congress (2007-2012). To assist policymakers and managers, we are also issuing separately a part of the strategic plan that contains detailed descriptions of the key themes and issues framing our strategic plan and their implications for governance. Those themes are listed in the text box below. We will also be issuing a report that brings together in one place the many strategic tools and approaches that we have identified or proposed that the Congress and others can use to help set priorities and move forward in addressing the government's challenges.

**Themes from GAO's Strategic Plan 2007-2012**

- Changing security threats
- Sustainability concerns
- Economic growth and competitiveness
- Global interdependency
- Societal change
- Quality of life
- Science and technology

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## Congressional Support to Enhance GAO's Effectiveness

Continuously improving on the critical role we play in supporting the Congress will require modest enhancements to GAO's resources and authorities that I proposed in our fiscal year 2008 budget request and discussed in my Senate appropriations hearing.<sup>14</sup> Our fiscal year 2008 budget request seeks the resources necessary to allow us to rebuild and

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<sup>14</sup>GAO, *Fiscal Year 2008 Budget Request: U.S. Government Accountability Office*, GAO-07-547T (Washington, D.C.: Mar. 16, 2007).

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enhance our workforce, knowledge capacity, employee programs, and critical infrastructure. These items are necessary to ensure that we can continue to provide 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 even more critical because of the pressures created by our nation's current and projected budget deficit and growing long-term fiscal imbalance. GAO is an invaluable tool for helping the Congress review, reprioritize, and revise existing mandatory and discretionary spending programs and tax policies.

Shortly after I was appointed Comptroller General in November 1998, I determined that the agency should undertake a major transformation effort. As a result, led by myself and many others, GAO has become a more results-oriented, partnerial, and client-focused organization. With your support, we have made strategic investments; realigned the organization; streamlined our business processes; modernized our performance classification, compensation, and reward systems; enhanced our ability to attract, retain, and reward top talent; enhanced the technology and infrastructure supporting our staff and systems; and made other key investments. These transformational efforts have allowed us to model best practices, lead by example, and provide significant support for congressional hearings, while achieving record results and very high client satisfaction ratings and high employee feedback ratings without significant increases in funding. In fact, despite record results, GAO's budget has declined by 3 percent in purchasing power from 2003 to 2007, as shown in appendix IV.

Transformational change and innovation is by definition challenging and controversial, but at the same time is essential for progress. Our fiscal year 2008 budget request includes funds to regain the momentum needed to achieve our key goals. Specifically, our fiscal year 2008 budget request will allow us to

- address supply and demand imbalances in responding to congressional requests for studies in areas such as health care, disaster assistance, homeland security, the global war on terrorism, energy and natural resources, and forensic auditing;
- address our increasing bid protest workload;
- be more competitive in the labor markets where we compete for talent;
- address critical human capital components, such as knowledge capacity building, succession planning, and staff skills and competencies;

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- enhance employee recruitment, retention, and development programs;
  - restore program funding levels and regain our purchasing power;
  - undertake critical initiatives necessary to continuously reengineer processes aimed at increasing our productivity and effectiveness and addressing identified management challenges; and
  - pursue deferred and pending critical structural and infrastructure maintenance and improvements.

In my recent testimony, I noted that we would be seeking to increase GAO's staffing level from 3,159 up to 3,750 over the next 6 years in order to address critical needs including supply and demand imbalances, high-risk areas, 21st century challenges questions, technology assessments, and other areas in need of fundamental reform. Furthermore, we plan to establish a presence in Iraq beginning later this fiscal year to provide additional oversight of issues deemed important to the Congress, subject to receiving support from the State Department and approval of our supplemental budget request.

In addition to providing the resources we need to support the Congress, we will also be seeking enactment of a set of statutory provisions that would enhance our ability to provide the Congress the information and analysis it needs to discharge its constitutional responsibilities. Among other things, we will seek to modernize authority for the Comptroller General and his/her authorized representatives to administer oaths in performance of the work of the office. To keep the Congress apprised of difficulties we have interviewing agency personnel and obtaining agency views on matters related to ongoing mission work, we will suggest new reporting requirements. When agencies or other entities fail to respond to requests by the Comptroller General to have personnel provide information under oath, make personnel available for interviews, or provide written answers to questions, the Comptroller General would report to the Congress as soon as practicable and also include such information in the annual report to the Congress. These reporting requirements would be a supplement to existing GAO statutory authorities.

GAO has authority to audit and access the records of elements of the Intelligence Community. Nevertheless, over the years, the Justice Department has questioned our authority in the area. In that regard, the Congress is considering S.82, The Intelligence Community Audit Act of 2007, sponsored by Senators Akaka and Lautenberg. S.82 would reaffirm GAO's existing statutory authority to audit and evaluate financial transactions, programs, and activities of the Intelligence Community. The

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success of the Intelligence Community is obviously of enormous importance to the nation, and it commands significant budget resources. I believe that there are many areas in which GAO can support the intelligence committees in their oversight roles and, by extension, the Congress and the Intelligence Community. For example, we could review human capital management, including pay for performance systems; information technology architectures and systems; acquisition and contract management; information-sharing processes, procedures, and results; and Intelligence Community transformation efforts, metrics, and progress. I would add that while GAO personnel with appropriate clearances and accesses have responsibly reviewed programs that deal with technical sources and methods of intelligence collection, I am confident that there are very few cases in which our review of systems, processes, and their applications would require access to sensitive intelligence sources and methods or names of individuals.

In regard to GAO's human capital flexibilities, among other provisions, we are proposing a flexibility that allows us to better approximate market rates for certain professional positions by increasing our maximum pay for other than the SES and Senior Level from GS-15, step 10, to Executive Level III. This authority has already been granted to selected other federal agencies, including DOD. Additionally, under our revised and contemporary merit pay system, certain portions of an employee's merit increase, below applicable market-based pay caps, are not permanent. Since this may affect an employee's high three for retirement purposes, another key provision of the bill would enable these nonpermanent payments to be included in the retirement calculation for all GAO employees, except senior executives and senior-level personnel.

We are also seeking enactment of legislation to establish a Board of Contract Appeals at GAO to adjudicate contract claims involving contracts awarded by legislative branch agencies. GAO has performed this function on an ad hoc basis over the years for appeals of claims from decisions of the Architect of the Capitol on contracts that it awards. Recently we have agreed to handle claims arising under Government Printing Office contracts. The legislative proposal would promote efficiency and predictability in the resolution of contractor and agency claims by consolidating such work in an established and experienced adjudicative component of GAO, and would permit GAO to recover its costs of providing such adjudicative services from legislative branch users of such services.

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Finally, we have identified a number of legislative mandates that are either no longer meeting the purposes intended or should be performed by an entity other than GAO. We are working with the cognizant entities and the appropriate authorization and oversight committees to discuss the potential impact of legislative relief for these issues.

I appreciate your support for our efforts to provide the best professional products and services to the Congress. GAO, of course, is not alone in helping the Congress. For example, the inspectors general of the various agencies and departments are essential partners in carrying out congressional oversight. In addition, the Congressional Research Service and Congressional Budget Office have important roles to play. However, GAO is uniquely positioned to provide the Congress with the timely, objective, reliable, and original research information it needs to discharge its constitutional responsibilities, especially in connection with oversight matters. We look forward to continuing to work with you on near-term oversight, fundamental review of the base of government, and approaches to this century's governance challenges and opportunities.

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This concludes my prepared statement. I would be happy to respond to any questions the members of the Committee may have.

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# Appendix I: GAO's Suggested Areas for Oversight for the 110th Congress

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## **Targets for Near-Term Oversight**

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1. Reduce the Tax Gap
  2. Address Governmentwide Acquisition and Contracting Issues
  3. Transform the Business Operations of the Department of Defense, Including Addressing All Related "High-Risk" Areas
  4. Ensure the Effective Integration and Transformation of the Department of Homeland Security
  5. Enhance Information Sharing, Accelerate Transformation, and Improve Oversight Related to the Nation's Intelligence Agencies
  6. Enhance Border Security and Enforcement of Existing Immigration Laws
  7. Ensure the Safety and Security of All Modes of Transportation and the Adequacy of Related Funding Mechanisms
  8. Strengthen Efforts to Prevent the Proliferation of Nuclear, Chemical, and Biological Weapons and Their Delivery Systems (Missiles)
  9. Ensure a Successful Transformation of the Nuclear Weapons Complex
  10. Enhance Computer Security and Deter Identity Theft
  11. Ensure a Cost-Effective and Reliable 2010 Census
  12. Transform the Postal Service's Business Model
  13. Ensure Fair Value Collection of Oil Royalties Produced from Federal Lands
  14. Ensure the Effectiveness and Coordination of U.S. International Counterterrorism Efforts
  15. Review the Effectiveness of Strategies to Ensure Workplace Safety
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## **Policies and Programs That Are in Need of Fundamental Reform and Reengineering**

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1. Review U.S. and Coalition Efforts to Stabilize and Rebuild Iraq and Afghanistan
  2. Ensure a Strategic and Integrated Approach to Prepare for, Respond to, Recover, and Rebuild from Catastrophic Events
  3. Reform the Tax Code, Including Reviewing the Performance of Tax Preferences
  4. Reform Medicare and Medicaid to Improve Their Integrity and Sustainability
  5. Ensure the Adequacy of National Energy Supplies and Related Infrastructure
  6. Reform Immigration Policy to Ensure Equity and Economic Competitiveness
  7. Assess Overall Military Readiness, Transformation Efforts, and Existing Plans to Assure the Sustainability of the All-Volunteer Force
  8. Assure the Quality and Competitiveness of the U.S. Education System
  9. Strengthen Retirement Security Through Reforming Social Security, Increasing Pension Saving and Promoting Financial Literacy
  10. Examine the Costs, Benefits, and Risks of Key Environmental Issues
  11. Reform Federal Housing Programs and Related Financing and Regulatory Structures
  12. Ensure the Integrity and Equity of Existing Farm Programs
  13. Review Federal Efforts to Improve the Image of the United States
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**Governance Issues That Should be Addressed to Help Ensure an Economical, Efficient, Effective, Ethical, and Equitable Federal Government Capable of Responding to the Various Challenges and Capitalizing on Related Opportunities in the 21st Century**

1. Review the Need for Various Budget Controls and Legislative Process Revisions in Light of Current Deficits and Our Long-Range Fiscal Imbalance
2. Pursue the Development of Key National Indicators
3. Review the Impact and Effectiveness of Various Management Reforms Enacted in Recent Years (e.g., GPRA, CFO Act, FFMA, Clinger-Cohen, etc.)
4. Review the Effectiveness of the Federal Audit and Accountability Community, Including the Oversight, Structure, and Division of Responsibility
5. Modernize the Federal Government's Organizational and Human Capital Models
6. Reexamine the Presidential (Political) Appointment Process
7. Ensure Transparency over Executive Policies and Operations
8. Monitor and Assess Corporate Financial Reporting and Related Standards for Public Companies Accountability

Source: GAO, *Suggested Areas for Oversight for the 110th Congress*, [GAO-07-235R](#) (Washington, D.C.: Nov. 17, 2006).

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# Appendix II: GAO's 2007 High-Risk List

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## 2007 High-Risk Areas

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### Addressing Challenges In Broad-Based Transformations

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- Strategic Human Capital Management<sup>a</sup>
  - Managing Federal Real Property<sup>a</sup>
  - Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures
  - Implementing and Transforming the Department of Homeland Security
  - Establishing Appropriate And Effective Information-Sharing Mechanisms to Improve Homeland Security
  - DOD Approach to Business Transformation<sup>a</sup>
    - DOD Business Systems Modernization
    - DOD Personnel Security Clearance Program
    - DOD Support Infrastructure Management
    - DOD Financial Management
    - DOD Supply Chain Management
    - DOD Weapon Systems Acquisition
  - FAA Air Traffic Control Modernization
  - Financing the Nation's Transportation System<sup>a</sup> **(New)**
  - Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests **(New)**
  - Transforming Federal Oversight of Food Safety<sup>a</sup> **(New)**
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### Managing Federal Contracting More Effectively

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- DOD Contract Management
  - DOE Contract Management
  - NASA Contract Management
  - Management of Interagency Contracting
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### Assessing the Efficiency and Effectiveness of Tax Law Administration

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- Enforcement of Tax Laws<sup>a</sup>
  - IRS Business Systems Modernization
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### Modernizing and Safeguarding Insurance and Benefit Programs

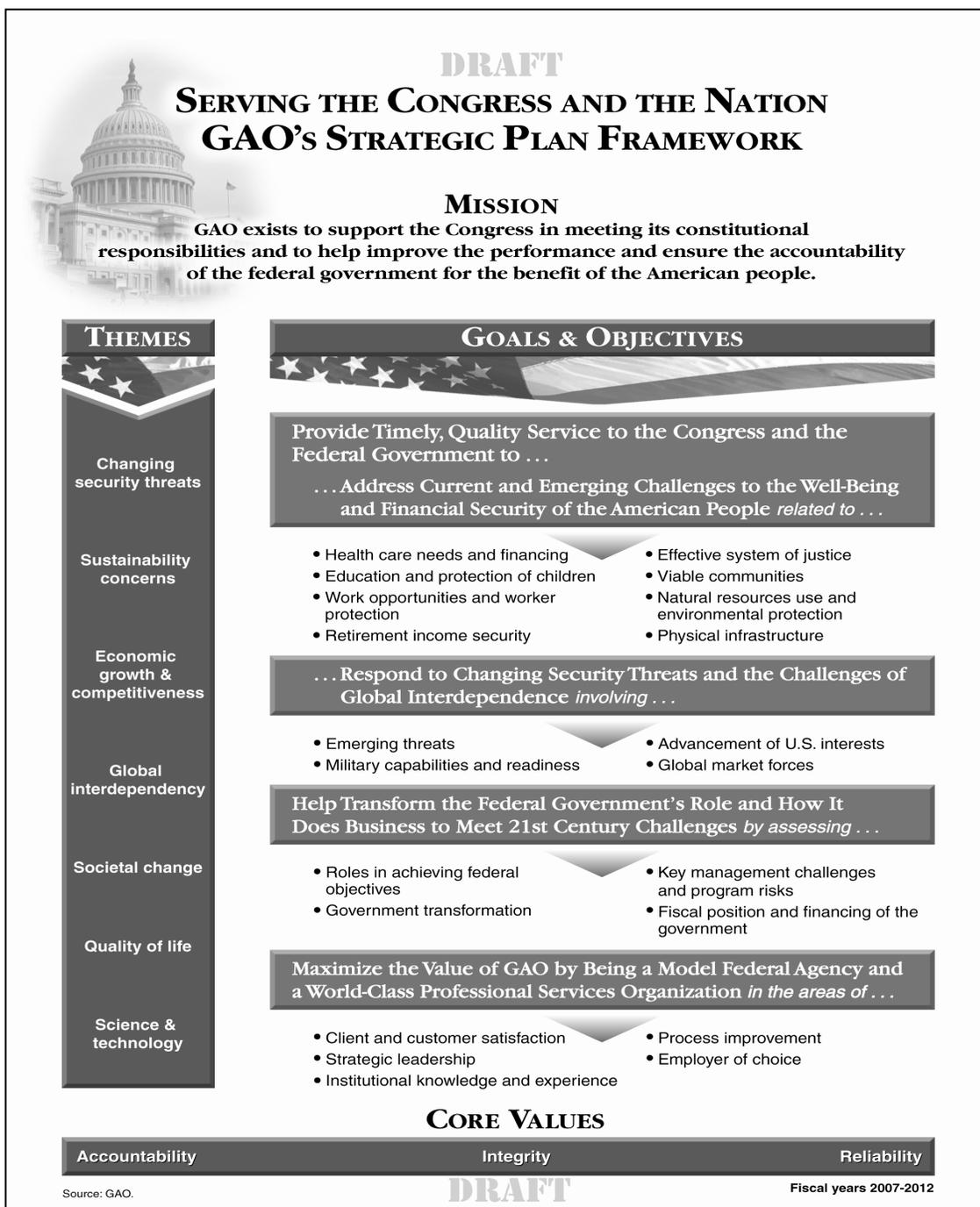
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- Modernizing Federal Disability Programs<sup>a</sup>
  - Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program
  - Medicare Program<sup>a</sup>
  - Medicaid Program<sup>a</sup>
  - National Flood Insurance Program<sup>a</sup>
- 

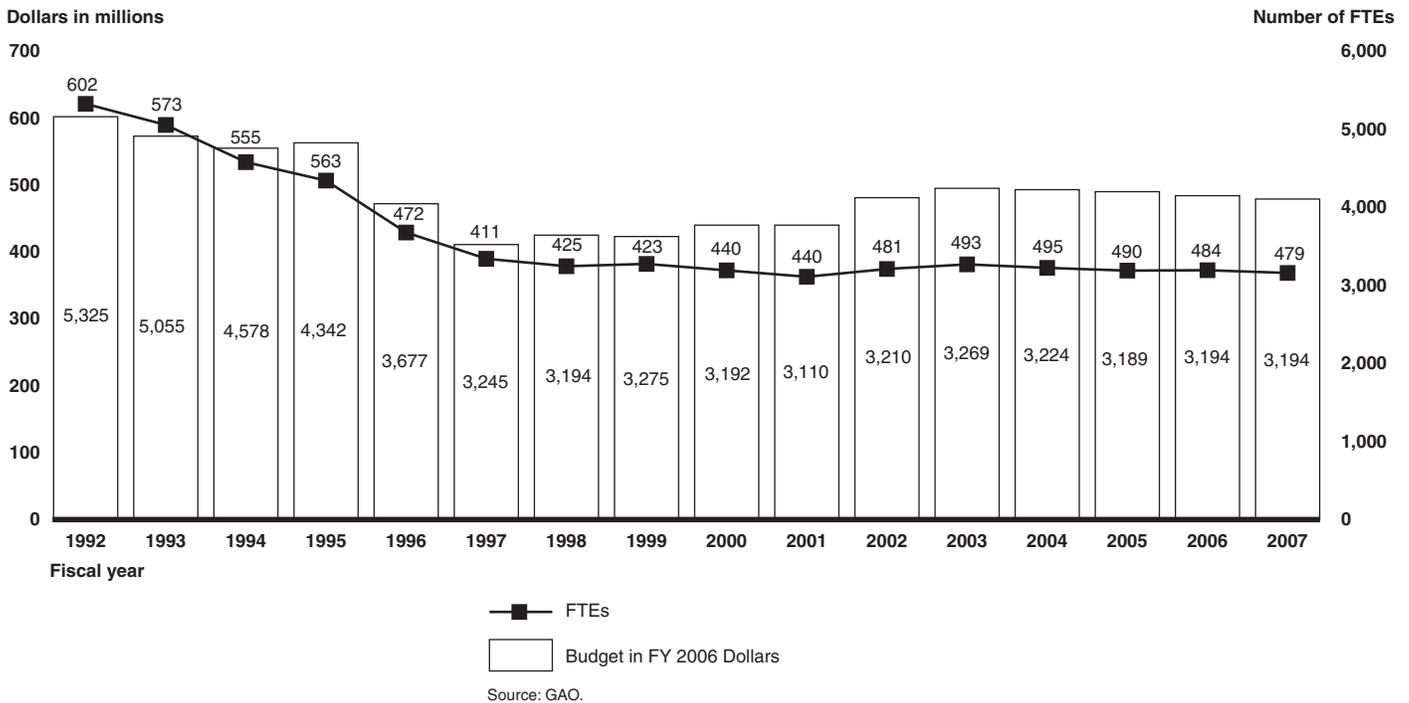
Source: GAO.

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

# Appendix III: Serving the Congress—GAO’s Strategic Plan Framework



# Appendix IV: Budget Authority in Fiscal Year 2006 Dollars and Full-Time Equivalent Usage, Fiscal Years 1992 - 2007



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