

**GAO**

**Testimony**

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, the Committee on Homeland Security and Governmental Affairs, U.S. Senate

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**THE UPCOMING  
TRANSITION**

**GAO's Efforts to Assist the  
111th Congress and the  
Next Administration**

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Highlights of [GAO-08-1153T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, the Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The upcoming 2009 transition will be a unique and critical period for the U.S. government. It marks the first wartime presidential transition in 40 years. It will also be the first administration change for the relatively new Department of Homeland Security operating in the post 9/11 environment. The next administration will fill thousands of positions across government; there will be a number of new faces in Congress as well. Making these transitions as seamlessly as possible is pivotal to effectively and efficiently help accomplish the federal government's many essential missions.

While the Government Accountability Office (GAO), as a legislative branch agency, has extensive experience helping each new Congress, the Presidential Transition Act points to GAO as a resource to incoming administrations as well. The Act specifically identifies GAO as a source of briefings and other materials to help presidential appointees make the leap from campaigning to governing by informing them of the major management issues, risks, and challenges they will face.

GAO has traditionally played an important role as a resource for new Congresses and administrations, providing insight into the issues where GAO has done work. This testimony provides an overview of GAO's objectives for assisting the 111th Congress and the next administration in their all-important transition efforts.

To view the full product, including the scope and methodology, click on [GAO-08-1153T](#). For more information, contact J. Christopher Mihm, Managing Director, Strategic Issues, at (202) 512-6806 or [mihmj@gao.gov](mailto:mihmj@gao.gov).

## THE UPCOMING TRANSITION

### GAO's Efforts to Assist the 111th Congress and the Next Administration

#### What GAO Found

GAO will highlight issues that the new President, his appointees, and the Congress will confront from day one. These include immediate challenges ranging from national and homeland security to oversight of financial institutions and markets to a range of public health and safety issues. GAO will synthesize the hundreds of reports and testimonies it issues every year so that new policy makers can quickly zero in on critical issues during the first days of the new administration and Congress. GAO's analysis, incorporating its institutional memory across numerous administrations, will be ready by the time the election results are in and transition teams begin to move out.

#### Objectives for GAO's Transition Efforts

- Provide insight into pressing national issues.
- Highlight the growing need for innovative, integrated approaches to solve national and global challenges.
- Document targeted opportunities to conserve resources that can be applied to new initiatives.
- Underscore critical capacity building needs in individual agencies that will affect implementation of whatever new priorities are pursued.
- Help inform the management improvement agendas of Congress and the new administration.
- Monitor the implementation of the Presidential Transition Act provisions and identify potential improvements for future transitions.

GAO will provide congressional and executive branch policy makers with a comprehensive snapshot of how things are working across government and emphasize the need to update some federal activities to better align them with 21<sup>st</sup> century realities and bring about government transformation. In keeping with its mission, GAO will be providing Congress and the executive branch with clear facts and constructive options and suggestions that elected officials can use to make policy choices in this pivotal transition year. GAO believes the nation's new and returning leaders will be able to use such information to help meet both the nation's urgent issues and long-term challenges so that our nation stays strong and secure now and for the next generation.

GAO's transition work also will highlight the need to modernize the machinery of government through better application of information technology, financial management, human capital, and contracting practices. GAO also will underscore the need to develop strategies for addressing the government's serious long-term fiscal sustainability challenges, driven on the spending side primarily by escalating health care costs and changing demographics.

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Chairman Akaka, Senator Voinovich, and Members of the Subcommittee:

I am pleased to be here today to contribute to your hearing on the upcoming transition. As agreed with the Subcommittee, I will discuss the preparations under way at the Government Accountability Office (GAO) to meet our responsibilities under the Presidential Transition Act to assist the incoming administration as well as the 111th Congress.

The 2009 presidential transition will be a unique and critical period for the United States. Our nation faces a wartime presidential transition for the first time in 40 years. In addition, this will be the first post-9/11 transition, with a relatively new Department of Homeland Security (DHS) grappling with the threats we face here at home while experiencing its first change in administration. The White House will need to fill thousands of appointments, some of which will be subject to Senate confirmation, across the federal government. And on Capitol Hill, with 26 House members and 5 Senators deciding not to seek reelection, there will also be congressional newcomers.

While as a legislative branch agency GAO has extensive experience helping each new Congress, the Presidential Transition Act points to GAO as a resource to incoming administrations as well. The Act specifically identifies GAO as a source of briefings and other materials to help inform presidential appointees of the major management issues, risks, and challenges they will face. The Act's 2000 amendments to clearly bring GAO into the transition picture are consistent with the role we traditionally have played as an important resource for Congress and new administrations during transitions. For example, we update our High-Risk list with the start of each new Congress to focus attention on areas in need of broad-based transformation or susceptible to waste, fraud, abuse, and mismanagement. During the last presidential transition, we identified for Congress and the then new administration key program and management issues in the major departments and across government. More recently, we assisted the 110th Congress by suggesting 36 areas for oversight based on our work. We take our role under the Presidential Transition Act very seriously; our planning to effectively perform this role is well under way. To do this, we will use our institutional knowledge and broad-based work on matters across the spectrum of government activities.

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My comments today center on the six objectives of our efforts to assist the upcoming transition as policy makers take on the serious challenges facing our country.

**Objectives for GAO's Transition Efforts**

- Provide insight into pressing national issues.
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- Document targeted opportunities to conserve resources that can be applied to new initiatives.
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## Provide Insight into Pressing National Issues

The next Congress and new administration will confront a set of pressing issues that will demand urgent attention and continuing oversight to ensure the nation's security and well-being. The goal of our transition planning is to look across the work we have done and across the scope and breadth of the federal government's responsibilities to offer insights into areas needing immediate attention. A few examples follow:

- **Oversight of financial institutions and markets:** As events over the past few days have underscored, oversight over the U.S. housing and financial markets will certainly be among the priority matters commanding the attention of the new administration and the 111th Congress. These sectors of our economy have been going through a period of significant instability and turmoil. Congress has taken a number of steps to address some of the immediate effects of the market turmoil including enactment of the Federal Housing Finance Regulatory Reform Act of 2008, which, among other things, strengthens regulation of the housing government-sponsored enterprises (GSE) and provides authority to the Treasury to purchase any amount of Fannie Mae and Freddie Mac securities. We are closely monitoring a range of implications of the current market turmoil including the financial condition of GSEs and the implications of the Treasury exercising this new authority to stabilize GSEs. In addition,

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recent bank failures and growing numbers of banks on the “Watchlist” raise questions about the impact on the banking system and future federal exposures as well as on the bank insurance fund. We have a larger body of work that involves auditing the Federal Deposit Insurance Corporation, the newly created Federal Housing Finance Agency, and the consolidated financial statements of the U.S. government, as well as evaluating ongoing developments in the housing and financial markets. We will draw on this work to provide observations and advice, as appropriate, on how best to ensure the stability of our nation’s financial system.

While these serious disruptions require immediate attention and careful monitoring, ongoing turmoil in the housing and financial markets has renewed concerns about whether the current system for overseeing and regulating financial institutions and markets is best suited to meet the nation’s evolving needs and 21st century challenges. Later this year we plan to issue a report describing the evolution of the current regulatory structure and how market developments and changes have introduced challenges for the current system. We believe this reassessment is needed to ensure that these types of serious disruptions can be minimized in the future. As part of this work, we are also developing a framework to assist Congress in evaluating alternative regulatory reform proposals.

- **U.S. efforts in Iraq and Afghanistan:** Policy and implementation issues will remain on the horizon for these and other international challenges. Hundreds of billions of dollars have been provided to the Department of Defense (DOD) for military operations in Iraq and Afghanistan as well as U.S. efforts to help address security, stabilization and reconstruction, and capacity-building efforts in these countries. These efforts include developing security forces, rebuilding critical infrastructure, and enhancing the countries’ capacity to govern. Since 2003, we have issued more than 175 reports on military operations and various aspects of U.S. efforts to achieve the goals in Iraq and Afghanistan. Our transition work will highlight the major implementation issues that need to be addressed to ensure accountability and assess progress regardless of what policies are pursued.
- **DOD’s readiness and capabilities:** Extended operations in Iraq, Afghanistan, and elsewhere have had significant consequences for military readiness, particularly with regard to the Army and Marine Corps. Current operations have required the military to operate at a persistently high tempo with the added stress of lengthy and repeated deployments. In addition, because of the significant wear and tear on equipment, refocusing of training on counterinsurgency operations, and other factors, rebuilding readiness of U.S. forces is a major challenge for DOD. At the

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same time, DOD faces competing demands for resources given broad-based initiatives to grow, modernize, and transform its forces. We will offer our perspective on the competing demands DOD faces and the need to develop sound plans to guide investment decisions, as it reassesses the condition, size, composition, and organization of its total force, including contractor support, to protect the country from current, emerging, and future conventional and unconventional security threats.

- **Protection at home:** DHS must remain prepared and vigilant with respect to securing the homeland, particularly during the transition period when the nation can be viewed as being particularly vulnerable. In doing so, it is important that the new administration address key issues that, as we reported, have impacted and will continue to impact the nation's security and preparedness, including better securing our borders, enforcing immigration laws, and serving those applying for immigration benefits; defining key preparedness and response capabilities and building and maintaining those capabilities through effective governmental and external partnerships; and further strengthening the security and resiliency of critical infrastructure to acts of terrorism. In achieving its critical mission, we found that DHS needs to more fully integrate and strengthen its management functions, including acquisition and human capital management; more fully adopt risk-based principles in allocating resources to the areas of greatest need; and enhance the effectiveness of information sharing among federal agencies and with state and local governments and the private sector.
- **The decennial census:** The results of the 2010 census are central to apportionment, redistricting congressional boundaries, and distributing hundreds of billions of dollars in federal aid. Soon after taking office, the new administration will face decisions that will shape the outcome of this central effort. Next spring the first nationwide field operation of the 2010 decennial census will begin. During address canvassing, the Census Bureau will rely, for the first time, on hand-held computers to verify address and map information. Earlier this year, we designated the decennial census as a high-risk area, in part, because of ongoing challenges in managing information technology—including hand-held computers—and uncertainty over the total cost of the decennial census and the Bureau's plans for rehearsing its field operations. The Bureau has taken some important steps to get the census back on track but did not rehearse its largest and most costly field operation—non-response follow-up—and has little time for further course correction as it prepares to carry out the national head count.

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While facing pressing issues, the next Congress and new administration also inherit the federal government’s serious long-term fiscal challenge—driven on the spending side by rising health care costs and changing demographics. This challenge is complicated by the need to timely address developments such as the recent economic pressures and troubles in the housing and financial markets. Ultimately, however, the new administration and Congress will need to develop a strategy to address the federal government’s long-term unsustainable fiscal path.

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## Highlight the Growing Need for Innovative, Integrated Approaches to Solve National and Global Challenges

Planning for the transition will necessarily need to address the fact that achieving meaningful national results in many policy and program areas requires some combination of coordinated efforts among various actors across federal agencies, often with other governments (for example, internationally and at state and local levels), non-government organizations (NGO), for-profit and not for-profit contractors, and the private sector. In recognition of this fact, recent years have seen the adoption of a range of national plans and strategies to bring together decision makers and stakeholders from different locations, types of organizations, and levels of government. For example, the National Response Plan is intended to be an all-discipline, all-hazards plan that establishes a single, comprehensive framework for managing domestic incidents where involvement is necessary among many levels of government, the private sector, and nonprofit organizations. The response and recovery efforts after 9/11 and natural disasters, the nation’s preparations for a possible pandemic influenza, and the need to address global food insecurity are some of the many public issues that vividly underscore the critical importance of employing broad governance perspectives to meet global and national needs. Our transition work will highlight challenges the new Congress and next administration face in devising integrated solutions to such multi-dimensional problems. Some examples follow:

- **Care for servicemembers:** Over the last several years, more than 30,000 servicemembers have been wounded in action; many with multiple serious injuries such as amputations, traumatic brain injury, and post-traumatic stress disorder. We have identified substantial weaknesses in the health care these wounded warriors are receiving as well as the complex and cumbersome DOD and VA disability systems they must navigate. While improvement efforts have started, addressing the critical continuity of care issues will require sustained attention, systematic oversight by DOD and VA, and sufficient resources.

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- **Health care in an increasingly global market and environment:** The spread of severe acute respiratory syndrome (SARS) from China in 2002, recent natural disasters, and the persistent threat of an influenza pandemic all highlight the need to plan for a coordinated response to large-scale public health emergencies. Federal agencies must work with one another and with state and local governments, private organizations, and international partners to identify and assess the magnitude of threat, develop effective countermeasures (such as vaccines), and marshal the resources required for an effective public health response. Our transition work on these topics—including work related to such emergencies as SARS, Hurricane Katrina, pandemic influenza, bioterrorism, and TB—will highlight that federal agencies still face challenges such as coordinating response efforts and developing the capacity for a medical surge in mass casualty events.
  - **Food safety:** The fragmented nature of the federal food oversight system undermines the government’s ability to plan more strategically to inspect food production processes, identify and react more quickly to outbreaks of foodborne illnesses, and focus on promoting the safety and integrity of the nation’s food supply. Fifteen federal agencies collectively administer at least 30 laws related to food safety. We have recommended, among other things, that the executive branch reconvene the President’s Council on Food Safety to facilitate interagency coordination on food safety regulation and programs.
  - **Surface transportation:** The nation’s transportation infrastructure—its aviation, highway, transit, and rail systems—is critical to the nation’s economy and affects the daily lives of most Americans. Despite large increases in federal spending on America’s vital surface transportation system, this investment has not commensurately improved the performance of the system. Growing congestion has created by one estimate a \$78 billion annual drain on the economy, and population growth, technological change, and the increased globalization of the economy will further strain the system. We have designated transportation finance a high-risk area and have called for a fundamental reexamination and restructured approach to our surface transportation policies, which experts have suggested need to recognize emerging national and global imperatives, such as reducing the nation’s dependence on foreign fuel sources and minimizing the impact of the transportation system on the global climate change.
  - **Disaster response:** Hurricane Katrina demonstrated the critical importance of the capability to implement an effective and coordinated response to catastrophes that leverages needed resources from across the



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nation, including all levels of government as well as nongovernmental entities. While the federal government has made progress since Katrina, as shown in the recent response to Hurricane Gustav, we have reported that the administration still does not have a comprehensive inventory of the nation's response capabilities or a systematic, comprehensive process to assess capabilities at the local, state, and federal levels based on commonly understood and accepted metrics for measuring those capabilities. We have work under way to identify the actions that DHS and the Federal Emergency Management Agency (FEMA) have taken to implement the provisions of the Post-Katrina Emergency Management Reform Act, which charged FEMA with the responsibility for leading and supporting the nation in a comprehensive risk-based emergency management system—a complex task that requires clear strategic vision, leadership, and the development of effective partnerships among governmental and nongovernmental entities.

- **Cyber critical infrastructures:** Cyber critical infrastructures are systems and assets incorporating information technology—such as the electric power grid and chemical plants—that are so vital to the nation that their incapacitation or destruction would have a debilitating impact on national security, our economy, and public health and safety. We have made numerous recommendations aimed at protecting these essential assets and addressing the many challenges that the federal government faces in working with both the private sector and state and local governments to do so—such as improving threat and vulnerability assessments, enhancing cyber analysis and warning capabilities, securing key systems, and developing recovery plans. Until these and other areas are effectively addressed, our nation's cyber critical infrastructure is at risk of the increasing threats posed by terrorists, foreign intelligence services, and others.

Also, more broadly, the Government Performance and Results Act of 1993 (GPRA) calls for a governmentwide performance plan to help Congress and the executive branch address critical federal performance and management issues, including redundancy and other inefficiencies. Unfortunately, the promise of this important provision has not been realized. The agency-by-agency focus of the budget does not provide for the needed strategic, longer range, and integrated perspective of government performance. A broader performance plan would provide the President with an opportunity to assess and communicate the relationship between individual agency goals and outcomes that transcend federal agencies.

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## Document Targeted Opportunities to Conserve Resources That Can Be Applied to New Initiatives

Our transition work will identify opportunities to limit costs and reduce waste across a broad spectrum of programs and agencies. While these opportunities will not eliminate the need to address more fundamental long-term fiscal challenges the federal government faces, concerted attention by the new administration could conserve resources for other priorities and improve the government's image. Examples of areas we will highlight and for which we will suggest needed action follow:

- **Improper payments:** For fiscal year 2007, agencies reported improper payment estimates of about \$55 billion—including programs such as Medicaid, Food Stamps, Unemployment Insurance, and Medicare. The governmentwide estimate has steadily increased over the past several years; yet even the current estimate does not reflect the full scope of improper payments. Further, major management challenges and internal control weaknesses continue to plague agency operations and programs susceptible to significant improper payments. Addressing these challenges and internal control weaknesses will better ensure the integrity of payments and minimize the waste of taxpayers' dollars.
- **DOD cost overruns:** Total acquisition cost growth on the 95 major defense programs in DOD's fiscal year 2007 portfolio is now estimated at \$295 billion, and of the weapon programs we assessed this year, none had proceeded through development meeting the best practice standards for mature technologies, stable design, and mature production processes—all prerequisites for achieving planned cost and schedule outcomes. DOD expects to invest about \$900 billion (fiscal year 2008 dollars) over the next 5 years on development and procurement, with more than \$335 billion, or 37 percent, going specifically for new major weapon systems. Yet, much of this investment will be used to address cost overruns rooted in poor planning, execution, and oversight. By adopting best practices on individual programs and strengthening oversight and accountability for better outcomes, as we have consistently recommended, cost and schedule growth could be significantly reduced.
- **DOD secondary inventory:** DOD expends considerable resources to provide logistics support for military forces, and the availability of spare parts and other critical items provided through DOD's supply chains affects military readiness and capabilities. DOD officials have estimated that the level of investment in DOD's supply chains is more than \$150 billion a year, and the value of its supply inventories has grown by tens of billions of dollars since fiscal year 2001. However, as we have reported over the years, DOD continues to have substantial amounts of secondary inventory (spare parts) that are in excess to requirements. Most recently, in 2007, we reported that more than half of the Air Force's secondary

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inventory, worth an average of \$31.4 billion, was not needed to support required inventory levels from fiscal years 2002 through 2005, although increased demand due to ongoing military operations contributed to slight reductions in the percentage of inventory on hand and the number of years of supply it represents. In ongoing reviews of the Navy's and the Army's secondary inventory, we are finding that these services also continue to have significant amounts of inventory that exceeds current requirements. To reduce its investment in spare parts that are in excess of requirements, DOD will need to strengthen the accountability and management of its secondary inventory.

- **Oil and gas royalties:** In fiscal year 2007, the Department of Interior's Minerals Management Service collected over \$9 billion in oil and gas royalties, but our work on the collection of federal royalties has found numerous problems with policies, procedures, and internal controls that raise serious doubts about the accuracy of these collections. We also found that past implementation of royalty relief offered some oil and gas companies during years of low oil and gas prices did not include provisions to remove the royalty relief in the event that oil and gas prices rose as they have, and this failure to include such provisions will likely cost the federal government tens of billions of dollars over the working lives of the affected leases. Finally, we have found that the federal government ranks lowest among the nations in terms of the percentage of total oil and gas revenue accruing to the government. We have ongoing reviews of Interior's oil and gas leasing and royalty policies and procedures and reports based on this work should be publicly released within the next few months.
- **The tax gap:** The tax gap—the difference between taxes legally owed and taxes paid on time—is a long-standing problem in spite of many efforts by Congress and the Internal Revenue Service (IRS) to reduce it. Recently, IRS estimated a net tax gap for tax year 2001 of about \$290 billion. We have identified the need to take multiple approaches to reduce the tax gap, and specifically have recommended ways for IRS to improve its administration of the tax laws in many areas, including payroll taxes, rental real estate income, the tax preparation industry, income sent offshore, collecting tax debts, and the usefulness of third-party information reporting.

Ultimately, long-term fiscal pressures and other emerging forces will test the capacity of the policy process to reexamine and update priorities and portfolios of federal entitlement programs, policies, programs, commitments, and revenue approaches. In that regard, the “base” of government—spending and revenue—also must be reassessed so that

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emerging needs can be addressed while outdated and unsustainable efforts can be either reformed or eliminated. Tax expenditures should be part of that reassessment. Spending channeled through the tax code results in forgone federal revenue that summed to an estimated \$844 billion in 2007 and has approximated the size of total discretionary spending in some years. Yet, little is known about the performance of credits, deductions, and other tax preferences, statutorily defined as tax expenditures, which are often aimed at policy goals similar to those of federal spending programs. Because tax expenditures represent a significant investment of resources, and in some program areas are the main tool used to accomplish federal goals, this is a significant gap in the information available to decision makers.

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## Underscore Critical Capacity Building Needs in Individual Agencies That Will Affect Implementation of Whatever New Priorities Are Pursued

While some progress has been made in recent years, agencies still all too often lack the basic management capabilities needed to address current and emerging demands. As a result, any new administration will face challenges in implementing its policy and program agendas because of shortcomings in agencies' management capabilities. Accordingly, our transition effort will synthesize our wide range of work and identify the key management challenges unique to individual departments and major agencies. Additionally, our transition work will emphasize five key themes common to virtually every government agency.

- **Select a senior leadership team that has the experience needed to run large, complex organizations:** It is vitally important that leadership skills, abilities, and experience be among the key criteria the new President uses to select his leadership teams in the agencies. The Senate's interest in leveraging its role in confirmation hearings as evidenced by Senator Voinovich's request to us to suggest management-related confirmation questions and your interest in hearings such as this one will send a strong message that nominees should have the requisite skills to deal effectively with the broad array of complex management challenges they will face. It is also critical that they work effectively with career executives and agency staff.

Given that management improvements and transformations can take years to achieve, steps are needed to ensure a continuous focus on those efforts. Agencies need to develop executive succession and transition-planning strategies that seek to sustain commitment as individual leaders depart and new ones arrive. For example, in creating a Chief Management Officer (CMO) position for DHS, Congress has required the DHS CMO to develop a transition and succession plan to guide the transition of management

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functions with a new administration. More broadly speaking, though, the creation of a chief operating officer (COO)/CMO position in selected federal agencies can help elevate, integrate, and institutionalize responsibility for key management functions and transformation efforts and provide continuity of leadership over a long term. For example, because of its long-standing management weaknesses and high-risk operations, we have long advocated the need for a COO/CMO for DOD to advance management integration and business transformation in the department. In the fiscal year 2008 National Defense Authorization Act, Congress designated the Deputy Secretary of Defense as the department's CMO.

- **Strengthen the capacity to manage contractors and recognize related risks and challenges:** Enhancing acquisition and contracting capability will be a critical challenge for many agencies in the next administration in part because many agencies (for example, DOD, DHS, the Department of Energy, and the Centers for Disease Control and Prevention) are increasingly reliant on contractors to carry out their basic operations. In fiscal year 2007, federal agencies spent \$436 billion on contracts for products and services. At the same time, our high-risk list areas include acquisition and contract management issues that collectively expose hundreds of billions of taxpayer dollars to potential waste and misuse. To improve acquisition outcomes, we have stated that agencies need a concentrated effort to address existing problems while facilitating a reexamination of the rules and regulations that govern the government-contractor relationship in an increasingly blended workforce. For example, since agencies have turned to contractor support to augment their capabilities, they need to ensure that contractors are playing appropriate roles and that the agencies have retained sufficient in-house workforce capacity to monitor contractor cost, quality, and performance.
- **Better manage information technology (IT) to achieve benefits and control costs:** A major challenge for the federal government is managing its massive investment in IT—currently more than \$70 billion annually. Our reports have repeatedly shown that agencies and the government as a whole face challenges in prudently managing major modernization efforts, ensuring that executives are accountable for IT investments, instituting key controls to help manage such projects, and ensuring that computer systems and information have adequate security and privacy protections.

The Office of Management and Budget (OMB) identifies major projects that are poorly planned by placing them on a Management Watch List and requires agencies to identify high-risk projects that are performing poorly. OMB and federal agencies have identified approximately 413 IT projects—

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totaling at least \$25.2 billion in expenditures for fiscal year 2008—as being poorly planned, poorly performing, or both. OMB has taken steps to improve the identification of the Management Watch List and high-risk projects since GAO testified last September, including publicly disclosing reasons for placement on the Management Watch List and clarifying high-risk project criteria. However, more needs to be done by both OMB and the agencies to address recommendations GAO has previously made to improve the planning, management, and oversight of poorly planned and performing projects so that potentially billions in taxpayer dollars are not wasted.

- **Address human capital challenges:** Governmentwide, about one-third of federal employees on board at the end of fiscal year 2007 will become eligible to retire on the new administration’s watch. Certain occupations—air traffic controllers and customs and border protection personnel among them—are projected to have particularly high rates of retirement eligibility come 2012. As experienced employees retire, they leave behind critical gaps in leadership and institutional knowledge, which could adversely affect the government’s ability to carry out its diverse responsibilities. Agencies must recruit and retain employees able to create, sustain, and thrive in organizations that are flatter, results-oriented, and externally focused, and who can collaborate with other governmental entities as well as with the private and nonprofit sectors to achieve desired outcomes. The Office of Personnel Management needs to continue to ensure that its own workforce has the skills needed to successfully guide agency human capital improvements and agencies must make appropriate use of available authorities to acquire, develop, motivate, and retain talent.
- **Build on the progress of the statutory management framework:** Over the last 2 decades, Congress has put in place a legislative framework for federal management that includes results-based management, information technology, and financial management reforms. As a result of this framework and the efforts of Congress and the Bush and Clinton administrations, there has been substantial progress in establishing the basic infrastructure needed to create high-performing organizations across the federal government. However, work still remains and sustained attention by Congress and the incoming administration will be a critical factor in ensuring the continuing and effective implementation of the statutory management reforms.

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## Help Inform the Management Improvement Agendas of Congress and the New Administration

Initiated in 1990, GAO's high-risk program has brought a much greater focus to areas in need of broad-based transformations and those vulnerable to waste, fraud, abuse, and mismanagement. It also has provided the impetus for the creation of several statutory management reforms. GAO's current high-risk list covers 28 areas. Our updates to the list, issued every 2 years at the start of each new incoming Congress, have helped in setting congressional oversight agendas. The support of this Subcommittee and others in Congress has been especially important to the success of this program. Further, administrations have consistently turned to the high-risk list in framing their management improvement initiatives. The current administration in particular, working with this Subcommittee, has provided a valuable and focused effort in requiring agencies to develop meaningful corrective action plans for each area that we have designated as high-risk. As a consequence of efforts by Congress, the agencies, OMB, and others, much progress has been made in many high-risk areas, but key issues need continuing attention. Sustained efforts in these areas by the next Congress and administration will help improve service to the American public, strengthen public confidence in the government's performance and accountability, potentially save billions of dollars, and ensure the ability of government to deliver on its promises.

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## Monitor the Implementation of the Presidential Transition Act Provisions and Identify Potential Improvements for Future Transitions

The world has obviously changed a great deal since the Presidential Transition Act of 1963. And while there have been periodic amendments to the Act, neither the Act nor the transition process itself has been subject to a comprehensive or systematic assessment of whether the Act is setting transitions up to be as effective as they might be. We will be monitoring the transition and reaching out to the new administration, Congress, and outside experts to identify lessons learned and any needed improvements in the Act's provisions for future transitions.

In summary, our goal will continue to be to provide congressional and executive branch policy makers with a comprehensive snapshot of how things are working across government and to emphasize the need to update some federal activities to better align them with 21st century realities and bring about government transformation. In keeping with our role, we will be providing Congress and the executive branch with clear facts and constructive options and suggestions that our elected officials can use to make policy choices in this pivotal transition year. The nation's new and returning leaders will be able to use such information to help address both the nation's urgent issues and long-term challenges so that our nation stays strong and secure now and for the next generation.

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Chairman Akaka, Senator Voinovich, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to respond to any questions you may have.



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# Related GAO Products

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## Oversight of Financial Institutions and Markets

*Housing Government-Sponsored Enterprises: A Single Regulator Will Better Ensure Safety and Soundness and Mission Achievement* ([GAO-08-563T](#), Mar. 6, 2008).

*Financial Regulation: Industry Trends Continue to Challenge the Federal Regulatory Structure* ([GAO-08-32](#), Oct. 12, 2007).

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## U.S. Efforts in Iraq and Afghanistan

*Securing, Stabilizing, and Reconstructing Afghanistan: Key Issues for Congressional Oversight* ([GAO-07-801SP](#), May 24, 2007).

*Securing, Stabilizing and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed* ([GAO-08-837](#), June 23, 2008).

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## DOD's Readiness and Capabilities

*Military Readiness: Impact of Current Operations and Actions Needed to Rebuild Readiness of U.S. Ground Forces* ([GAO-08-497T](#), Feb. 14, 2008).

*Force Structure: Restructuring and Rebuilding the Army Will Cost Billions of Dollars for Equipment but the Total Cost Is Uncertain* ([GAO-08-669T](#), Apr. 10, 2008).

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## Protecting the Homeland

*Department of Homeland Security: Progress Report on Implementation of Mission and Management Functions* ([GAO-07-454](#), Aug. 17, 2007).

*Department of Homeland Security: Progress Made in Implementation of Management Functions, but More Work Remains* ([GAO-08-646T](#), Apr. 9, 2008).

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## The Decennial Census

*2010 Census: Census Bureau's Decision to Continue with Handheld Computers for Address Canvassing Makes Planning and Testing Critical* ([GAO-08-936](#), July 31, 2008).

*Information Technology: Significant Problems of Critical Automation Program Contribute to Risks Facing 2010 Census* ([GAO-08-550T](#), Mar. 5, 2008).

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## Long-Term Fiscal Outlook

*The Nation's Long-Term Fiscal Outlook: April 2008 Update* ([GAO-08-783R](#), May 16, 2008).

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