

GAO

Testimony
Before the Subcommittee on Legislative
Branch, Committee on Appropriations,
House of Representatives

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**FISCAL YEAR 2013
BUDGET REQUEST**

**U.S. Government
Accountability Office**

Statement of Gene L. Dodaro
Comptroller General of the United States



Mr. Chairman, Ranking Member Honda, and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss the U.S. Government Accountability Office's (GAO) budget request for fiscal year (FY) 2013. I want to thank the subcommittee for its continued support of GAO. We very much appreciate the confidence you have shown in our efforts to help support the Congress in carrying out its constitutional responsibilities and to help improve government performance and accountability for the benefit of the American people.

GAO is requesting an appropriation of \$526.2 million for FY 2013 to support a staffing level of 3,100. This funding level represents a modest increase of 2.9 percent over FY 2012, and is 5.4 percent below our FY 2010 level. The majority of the requested increase represents the first step in rebuilding our staff capacity to a level that will enable us to optimize the benefits we yield for the Congress and the nation.

We have carefully reviewed every aspect of our operations from a zero base to identify opportunities to reduce costs without sacrificing the quality of our work and preserving our ability to assist the Congress in addressing the most important priorities facing the nation. However, given that staff costs now represent about 81 percent of our budget and the deep reductions already taken in our infrastructure programs, reducing the size of our workforce could not be avoided. By the end of FY 2012, for the first time in over 75 years, GAO's staffing level will drop below 3,000 staff, resulting in a net reduction of 11 percent in our staff capacity, or 365 people, in only a 2-year period.

Given the current size and scope of the federal government and the demand for our services, this staffing reduction will result in missed opportunities for us to identify ways to save money and generate revenue at a time when the country needs us most. I am also very concerned about maintaining our highly skilled workforce by both replacing departing staff and adding more highly skilled talent to address succession planning challenges and skill gaps. The cost to restore our staff capacity would be more than offset by billions of dollars in savings and other efficiencies resulting from GAO's work.

Through productive discussions with our Managers, Union, Employee Advisory Council, Diversity Advisory Council, and our staff, GAO has significantly reduced spending throughout the agency in areas ranging from human resources to travel to information technology (IT) to

achieve a \$45 million or 8.1 percent funding reduction since FY 2010. But, now we seek your support to begin a multiyear effort to rebuild our workforce to ultimately achieve a target full-time equivalent (FTE) of 3,250. We believe this is the optimal level within the current environment to most effectively serve the Congress and produce a high return on the investment in GAO. It would be our goal to return to this FTE staffing level in future year funding requests.

GAO is unique in our audit and evaluation capacity to support the Congress by performing original research, providing technical assistance, and conducting analyses to help the Congress make informed decisions across all segments of the federal budget resulting in tangible results and enhanced oversight needed to address the seriousness of the government's fiscal condition. In order for us to be most effective, GAO needs to be of a size commensurate with the current and emerging challenges facing the federal government and the seriousness of its fiscal outlook. We are extremely limited in our ability to target additional reductions without adversely impacting our capacity to support the Congress in reducing costs and improving government during this critical period.

GAO Supports Congressional Decision-making, Saves Resources and Helps Improve Government

GAO's work directly contributes to improvements in a broad array of federal programs affecting Americans everywhere and remains one of the best investments across the federal government. With this committee's support, in FY 2011, GAO provided assistance to every standing congressional committee and about 70 percent of their subcommittees. GAO issues hundreds of products annually in response to congressional requests and mandates. Our work yielded significant results across the government, including financial benefits of \$45.7 billion—a return on investment of \$81 for every dollar invested in GAO. Our findings and recommendations produce measurable financial benefits for the federal government, enabled through the actions of Congress and Executive Branch agencies, ultimately making funds available to reduce government expenditures, reallocate funds to more productive areas, or increase revenues.

We documented over 1,300 benefits resulting from our work that helped to change laws, improve services to the public, and promote sound management throughout government. About 32 percent of these benefits were in the area of public safety and security, such as homeland security and justice programs and critical technologies.

Another 40 percent resulted from improvements in business processes and management, such as improved oversight of federal oil and gas resources and detection of fraud, waste, and abuse.¹

GAO senior officials testified 174 times before the Congress on an array of complex issues including military and veterans disability systems, U.S. Postal Service fiscal sustainability, defense/weapons systems, and Medicare and Medicaid fraud, waste, and abuse.² Fifty-seven of these hearings were related to high-risk areas and programs highlighted in GAO's biennial high-risk report.³ GAO's *High-risk Program* calls attention to opportunities for cost savings and improvements in federal agency and program management that offer the potential to save billions of dollars, dramatically improve service to the public, and strengthen confidence and trust in the performance and accountability of the U.S. government.

In FY 2011, our work included several products mandated under the Dodd-Frank Wall Street Reform Act on mortgages, securities markets, financial institutions, the Federal Reserve, and consumer protection. Our work also included many other products related to health-insurance reform. In addition, we issued our first annual report under a mandate identifying 81 areas of duplication, overlap, fragmentation, cost-saving opportunities, and revenue enhancements in government programs. One area we have emphasized as an opportunity to generate revenue is the so-called "Tax Gap"—the amount of true tax liability faced by taxpayers that is not paid on time—where the Internal Revenue Service (IRS) recently updated its estimate from \$290 billion (net after late payments) to \$385 billion.⁴ We further identified several potentially significant governmentwide cost-saving opportunities, such as promoting competition for more than \$500 billion in federal contracts and applying strategic-sourcing best practices throughout the federal procurement system.

¹ A list of selected issues on which GAO assisted the nation in fiscal year 2011 is included as Appendix I.

² A list of selected issues on which GAO staff testified before Congress during fiscal year 2011 is included as Appendix II.

³ Our High-Risk List is included in Appendix III.

⁴ IRS Releases New Tax Gap Estimates, January 6, 2012.

As the Congress and the administration debate ways to address the federal government's unsustainable long-term fiscal path, our mission becomes ever more critical to help identify billions of dollars in cost-saving opportunities to tighten federal budgets and identify revenue-enhancement opportunities. GAO seeks both to help position the government to better manage risks that could compromise the nation's security, health, and solvency, and to identify opportunities for managing government resources wisely for a more sustainable future. GAO will continue to provide high-quality, high-value, and independent support to the Congress in ways that generate material benefits to the nation.

GAO's strategic plan for serving the Congress and the nation, 2010-2015, highlights the broad scope of our efforts to help the institution of the Congress respond to domestic and international challenges, such as.⁵

- addressing current and emerging challenges to the well-being and financial security of the American people;
- responding to changing security threats and the challenges of global interdependence;
- helping transform the federal government to address national challenges; and
- maximizing the value of GAO by enabling quality, timely service to the Congress and being a leading practices federal agency.

Actions Taken to Constrain Costs

Since FY 2010, GAO has significantly reduced spending throughout the agency. Our FY 2012 funding level is \$45 million or 8.1 percent below FY 2010. We streamlined costs and are operating at a reduced level through staffing reductions, voluntary retirements, voluntary separation incentives, and extremely limited hiring to only replace critical vacancies; reducing staff retention programs, such as student loan repayments and incentive awards; and reducing or deferring operational costs and investments in IT, facilities, and other support services. Since FY 2010, we have reduced engagement support costs, such as travel and external specialized expertise by over 20

⁵ Our Strategic Plan Framework is included in Appendix IV.

percent, and reduced infrastructure support costs, such as IT and administrative support services by over 18 percent.

In addition, we are continuing to explore other opportunities to enhance workforce and budget flexibilities to help reduce our infrastructure costs, provide staff more flexibility and increase our effectiveness and efficiency, such as streamlining our engagement-management process; expanding our telework policies; reducing our physical footprint both in HQ and in our field offices; exploring office-sharing; expanding our video-conference capability; and attracting an additional tenant in HQ to increase revenue. While we may only see limited financial benefits in FY 2012, each of these initiatives provides the opportunity to generate significant long-term financial benefits to GAO.

We are also consulting continuously with congressional committees to assure that our work is focused on their highest priorities. Additionally, we continue to work with committees to amend or repeal statutory mandates for GAO studies that have outlived their usefulness or do not represent the best use of GAO's resources given current congressional priorities.

FY 2013 Budget Request Would Help Restore Essential Capacity

Our budget request seeks to partially restore funding to allow GAO to 1) begin a multiyear effort to rebuild our workforce by hiring to replace departing staff to enable us to optimize the benefits we yield for the Congress and the nation, 2) bolster staff recruitment and retention programs, such as student loan repayments and incentive awards, and 3) replace end-of-life technology to ensure our technology is current and remains on par with other federal agencies.

For the first time in over 75 years, GAO's staffing level will drop below 3,000 staff in FY 2012, resulting in a net reduction of 11 percent in our staff capacity in only a 2-year period. Further, we project losing an additional 190 people in FY 2013 based on historical trends. We also have a significant number of retirement eligible senior executive staff (about 40%), supervisory analysts (25%), and analysts (12%). We depend on a talented and diverse, high-performing, knowledge-based workforce to carry out our mission to support the Congress. This reduction in staff capacity is limiting our ability to support the Congress during this critical period when the unique insights that GAO provides are an essential element of Congressional analysis and decision-making. It is imperative that we begin to replenish our workforce to both replace departing staff and add more highly skilled talent to

address succession planning challenges and skill gaps. We have been and will continue to reach out to our congressional clients to ensure they help focus our work on the highest priority areas to obtain the maximum benefit in this resource constrained environment.

Our FY 2013 budget request seeks to partially restore essential funding for staff recognition and benefits programs and critical investments eliminated or deferred due to budget constraints. Reductions in staff recognition and benefits programs jeopardize our ability to attract and retain staff when other organizations with whom we compete for human resources may offer these benefits. These tools are also essential to recognize and motivate our high-performing workforce. Moreover, all but the most critical investments in areas such as facilities and information technology have been eliminated. Continued deferral of needed investments in our systems and building will ultimately diminish our productivity and effectiveness, likely lead to more costly repairs, and affect our ability to exchange data with other federal entities.

We are also requesting authority to use \$24.3 million in offsetting collections from rental income and reimbursements from program and financial audits. In addition, we estimate about \$4.7 million will be available from reimbursements of programs and financial audits to help offset our costs.

If GAO's funding is reduced below the requested level, additional reductions in our staffing level would be inevitable which would adversely affect our ability to 1) produce results that can help deal with the federal government's fiscal challenges and 2) provide timely, insightful analysis on congressional priorities and challenges facing the nation. As a knowledge-based organization, about 81 percent of GAO's budget is spent on staff compensation and benefits, a slight increase from the previous year as a result of the deep reductions made in agency operations and infrastructure. We are extremely limited in our ability to target additional reductions in infrastructure-support costs beyond what has already been taken in order to meet the basic operations of the agency.

Positive Results from External Organizations

In regard to our internal operations, in FY 2011 we received a clean opinion on our system of quality control for both our financial and performance audits from an external peer review conducted by a team of auditors from our counterparts at national audit institutions, and received an unqualified opinion on our financial statements from independent auditors. The Association of Government Accountants awarded us its Certificate of Excellence in Accountability Reporting for our FY 2010 Performance and Accountability Report. We also received a “Best-in-Class” award for a concise, well-written, and highly readable Summary of GAO’s Performance and Financial Information for FY 2010.

GAO was also once again recognized as one of the Best Places to Work. The annual survey conducted by the Partnership for Public Service identified GAO as number three in its rankings for all large organizations across the entire federal government. *Washingtonian* magazine selected GAO as one of the Best Places to Work in the private and public sectors in Washington, D.C., in its annual rankings.

Concluding Remarks

FY 2011 was a very active and challenging time for GAO. We succeeded at performing our mission, responding to mandates, and accomplishing many of our goals while managing budget constraints. We could not have achieved this level of performance without the outstanding efforts of our professional, diverse, and multidisciplinary staff. We also maintained our productive working relationship with the employees’ union, GAO Employees Organization, International Federation of Professional and Technical Engineers, Local 1921, and began implementing our first master collective bargaining agreement. In addition, we are also working closely with the Employee Advisory Council and the Diversity Advisory Council on a range of issues.

FYs 2012 and 2013 bring more challenges with responsibilities to further assess and report on government programs and financial regulatory reform efforts, among many other pressing issues. Our budget request has been carefully developed to represent the level of resources we need to continue effectively serving the important needs of the Congress by providing quality products in a timely fashion and to identify high opportunity areas for both eliminating waste as well as enhancing revenue across the federal government.

I believe that you will find our budget request fiscally responsible and essential to ensure that we can maintain our capacity to assist the Congress and produce results for the American people. We remain

committed to providing accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight and fulfill its constitutional responsibilities.

Mr. Chairman, Ranking Member Honda, Members of the Subcommittee, this concludes my prepared statement. I appreciate, as always, your careful consideration of our submission and look forward to discussing our proposal with you.

Appendix I: How GAO Assisted the Nation, Fiscal Year 2011

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

- Identified savings of \$3.7 billion by reducing unneeded payments to Medicare Advantage plans
- Identified the need for the Department of Health and Human Services to finalize guidance on how antivirals would be used during a pandemic
- Identified opportunities for cost savings and reduced risk to the government in a series of reports on undefinitized contracts, use of blanket purchase agreements where discounts were not sought, and cost reimbursement contracts
- Improved consistency and compatibility of health care-associated infection data
- Led the Social Security Administration to improve oversight of its Ticket-to-Work program
- Identified opportunities to enhance investigation of online child pornography
- Recommended ways to strengthen the Federal Reserve's management of emergency assistance to stabilize financial markets
- Developed a series of assessments of emerging technologies with important implications for the nation
- Found regulatory weaknesses in EPA's water-based lead testing and treatment program
- Informed improvements in air passenger rights to compensation for mishandled baggage

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

- Encouraged enhanced desktop computer security to protect sensitive information, which 22 federal agencies implemented
- Identified progress and remaining work to implement homeland security missions at DHS ten years after 9/11
- Led DHS to scale back the flawed advanced radiation detector program—avoiding costs of \$1.2 billion
- Identified challenges and recommended improvements in DOD's expanding cybersecurity mission
- Surfaced potential costs and risks of contract transition during drawdown from Iraq, resulting in benefits of \$77.5 million
- Led DOD to restructure the Joint Strike Fighter program—DOD's most costly and ambitious acquisition
- Improved monitoring and evaluation of State, Labor, and USAID projects to combat human trafficking

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

- Provided timely information on the debt limit and budget controls to help address the long-term fiscal challenge
- Helped eliminate the Advanced Earned Income Tax Credit, avoiding \$569 million in costs
- Suggested that the Congress extend the statute of limitations for examinations involving offshore financial activity
- Recommended that OMB establish realistic milestones for full implementation of the infrastructure needed to best use the electronic authentication capabilities of personal identify verification cards
- Identified 227,700 tax delinquents receiving federal benefits to explore ways to increase collection of unpaid taxes
- Found ways to incorporate required data into Centers for Medicare & Medicaid systems to better detect improper payments
- Issued updated government auditing standards to reflect recent developments in the accountability profession
- Recommended improvements to planning and implementation of federal data center consolidation at 24 federal agencies

Appendix II: Selected Testimony Topics, Fiscal Year 2011

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

- Safety of Medical Devices
- DOD and VA Care Coordination Program
- VA Prevention of Sexual Assaults
- State Oversight of Private Health Insurance Rates
- Potential Overlap and Duplication in Government Programs
- Incapacitated Adults
- Federal Workers' Compensation
- Military and Veterans Disability System
- Oversight of DOD Tuition Assistance Program
- Securities Lending in 401(k) Plans
- Pension Benefit Guaranty Corporation Management
- Financial Literacy
- Mortgage Foreclosures Regulatory Oversight
- Oversight of Residential Appraisals
- TARP
- Interior's Major Management Challenges
- Federal Oil and Gas Restructuring
- Improvements Needed for Safe Drinking Water
- Food and Agriculture Emergency Preparedness
- Airport and Airway Trust Funds
- Traffic and Vehicle Safety
- Use of Recovery Act Transportation Funds
- Unneeded Owned and Leased Federal Facilities
- VA Real Property Realignment
- Needed U.S. Postal Service Legislation

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

- DHS 10 Years After 9/11
- Electronic Employment Eligibility Verification
- Aviation Security Behavior Detection Program
- Maritime Security U.S. Counterpiracy Action Plan
- Cross-Border Currency Smuggling
- Assessing National Preparedness Capabilities
- Visa Overstay Enforcement
- Combatting Nuclear Smuggling
- Flood Insurance Reform
- Efforts to Address Terrorist Safe Havens
- Antidumping and Countervailing Duties
- Diplomatic Security Training Challenges
- DOD Space Acquisitions
- Missile Defense Transparency and Accountability
- DOD Cost Overruns
- Joint Strike Fighter Program Restructuring
- Coast Guard Deepwater Program
- Army's Ground Force Modernization
- Littoral Combat Ship Acquisition Strategies
- Contract Oversight of non-U.S. Vendors in Afghanistan
- Addressing Urgent Warfighter Needs
- Personnel Security Clearance Process

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

- Oversight and Accountability of Federal Grants
- Reducing Improper Payments
- Fiscal Year 2010 U.S. Government Financial Statements
- DOD Financial Management Challenges
- Medicare and Medicaid Fraud, Waste, and Abuse
- Fraud Prevention in Service-Disabled Veteran-Owned Small Business Program
- Fraud Prevention in SBA's 8(a) Program
- Tax Delinquent Recovery Act Contractors
- Protecting Federal Information Systems
- Information Technology Investment Oversight
- VA Information Technology
- Federal Information Technology Spending
- Unfunded Mandates Reform Act Requirements
- Budget Enforcement Mechanisms
- 2010 Census Lessons Learned
- Value Added Taxes
- Tax System Complexity and Taxpayer Compliance
- GPRA Modernization Act Implementation

Appendix III: GAO's 2011 High-Risk List

Strengthening the Foundation for Efficiency and Effectiveness

- Management of Federal Oil and Gas Resources (**New**)
- Modernizing the Outdated U.S. Financial Regulatory System
- Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability
- Funding the Nation's Surface Transportation System
- Strategic Human Capital Management
- Managing Federal Real Property

Transforming DOD Program Management

- DOD Approach to Business Transformation
- DOD Business Systems Modernization
- DOD Support Infrastructure Management
- DOD Financial Management
- DOD Supply Chain Management
- DOD Weapon Systems Acquisition

Ensuring Public Safety and Security

- Implementing and Transforming the Department of Homeland Security
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland
- Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
- Revamping Federal Oversight of Food Safety
- Protecting Public Health through Enhanced Oversight of Medical Products
- Transforming EPA's Process for Assessing and Controlling Toxic Chemicals

Managing Federal Contracting More Effectively

- DOD Contract Management
- DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management
- NASA Acquisition Management
- Management of Interagency Contracting

Assessing the Efficiency and Effectiveness of Tax Law Administration

- Enforcement of Tax Laws
- IRS Business Systems Modernization

Modernizing and Safeguarding Insurance and Benefit Programs

- Improving and Modernizing Federal Disability Programs
- Pension Benefit Guaranty Corporation Insurance Programs
- Medicare Program
- Medicaid Program
- National Flood Insurance Program

Appendix IV: GAO's Strategic Plan Framework



Serving the Congress and the Nation GAO's Strategic Plan Framework

MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

TRENDS

National Security Threats Fiscal Sustainability Challenges Economic Recovery and Growth Global Interdependence Science and Technology Networks and Virtualization Shifting Roles of Government Demographic and Societal Change

Goals	Objectives
<p>Provide Timely, Quality Service to the Congress and the Federal Government to...</p> <p>...Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...</p>	<ul style="list-style-type: none"> Health care needs Lifelong learning Benefits and protections for workers, families, and children Financial security Effective system of justice Viable communities Stable financial system and consumer protection Stewardship of natural resources and the environment Infrastructure
<p>... Respond to Changing Security Threats and the Challenges of Global Interdependence involving...</p>	<ul style="list-style-type: none"> Homeland security Military capabilities and readiness U.S. foreign policy interests Global market forces
<p>Help Transform the Federal Government to Address National Challenges by assessing...</p>	<ul style="list-style-type: none"> Government's fiscal position and options for closing gap Fraud, waste, and abuse Major management challenges and program risks
<p>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency in the areas of...</p>	<ul style="list-style-type: none"> Efficiency, effectiveness, and quality Diverse and inclusive work environment Professional networks and collaboration Institutional stewardship and resource management

CORE VALUES

Accountability

Integrity

Reliability

Source: GAO.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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