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GAO'S ROLE IN SUPPORTING CONGRESSIONAL OVERSIGHT: AN OVERVIEW OF PAST WORK AND FUTURE CHALLENGES AND OPPORTUNITIES

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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GAO'S ROLE IN SUPPORTING CONGRESSIONAL OVERSIGHT: AN OVERVIEW OF PAST WORK AND FUTURE CHALLENGES AND OPPORTUNITIES

WEDNESDAY, MARCH 21, 2007

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:30 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Akaka, McCaskill, Collins, and Voinovich.

OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. The hearing will come to order. Good morning, and welcome to everyone, particularly welcome to our Comptroller General, David Walker. We hope that this room seems like your home away from home, and we thank you for all the times you have been here and been so constructive.

Today, instead of asking you to focus the light of your office on another government office, this Committee has asked you to help us focus on your office. And if I may paraphrase, normally we ask what GAO can do for us. Today we are going to ask what we can do for you because this Committee is not only grateful to you for the specific and substantial help you have given us in our work of oversight, but we are great admirers of your work, generally.

You and your staff have helped us to evaluate and consider ways to improve the operation of agencies and programs throughout the Federal Government. Because this Committee has oversight of government responsibilities, we depend heavily on GAO, and as the Committee with jurisdiction over the Homeland Security Department, we have also depended on you in a different way, which is to help us help those in charge of the Department to transform this amalgam of 180,000 employees and 22 agencies into a superior homeland security operation.

In preparation for the hearing, my staff went back and looked at just the last 12 months, and we were quite struck to note that we, this Committee, have received over 200 reports in the last 12 months, either requested by us, the Committee or Subcommittees, or initiated by GAO and addressed specifically to us. That is quite a remarkable number. And the range of topics covered is in its way

even more remarkable, from Hurricanes Katrina and Rita disaster relief to improving governmentwide financial management, to strengthening the privacy of health information, to the Department of Homeland Security's management of homeland security first responder grants, to securing and rebuilding Iraq. Our work—that is, this Committee's work—has benefited greatly from your output and so, I am confident, have the American people.

This morning we have asked the Comptroller General to provide an overview of GAO's traditional work in supporting congressional oversight and also to describe GAO's efforts to provide Congress with what David Walker has called "insight and foresight" on approaches to problems that are still with us, unresolved, and where best practices should be applied.

The Comptroller General has been particularly active in providing Congress and the public with an understanding of our long-term fiscal problems and the dangers that they present to the future of our country and really to every American. GAO has issued a number of significant and substantial reports in this particular area, most recently in its January 2007 report on fiscal stewardship. And now, like the hero of Henry Wadsworth Longfellow's poem, David Walker rides "booted and spurred" throughout the American countryside, sounding the alarm at town hall meetings as part of the Fiscal Wake-Up Tour led by the aptly named Concord Coalition, in which he is the central spokesperson.

During the mid-1990s, coming back home to GAO, GAO suffered a 40-percent budget reduction and the loss of many full-time equivalent positions. Since the Comptroller General took office in 1998, he has transformed the agency into a more results-oriented, client-focused, and very efficient operation. Last year, GAO determined that it had provided quite a remarkable return on public dollars invested, which is to say $105 saved for the taxpayers for every $1 spent on this office. Also, this is an office with very high client satisfaction ratings. And yet GAO's budget has declined by 3 percent after inflation over the past 4 years.

So I look forward to hearing the Comptroller General testify about his fiscal year 2008 budget request, which includes additional funds to help the office meet the demands on it and maintain its high level of quality and effectiveness and cost-effectiveness. In a sense, you might say this is a GAO authorization hearing, that is, a budget authorization hearing, by the Committee to review what you have been doing, to take a look at what amount of money has been recommended for you next year and in the years ahead, and to see how we might help you better help us and the American taxpayers. Thank you.

Senator Collins.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you, Mr. Chairman.

For more than 85 years, the Government Accountability Office has worked with Congress and for the American people to make Federal agencies and programs more accountable and more effective. The "watchdog of Congress" has served us well as auditor, overseer, investigator, and evaluator. I look forward to hearing the

testimony today from the Comptroller General as the Committee considers GAO's work, its results, and its challenges.

Let me make clear at the outset how much I appreciate the work of the GAO. Not only does the office perform yeoman's service in research, analysis, and evaluation, but it presents its work in a compact, coherent, and accessible form, and in a conscientiously nonpartisan way.

GAO reports are authoritative and invaluable tools for lawmakers and for our staff. The professionals at GAO are entitled to feel a sense of great pride in the work that they undertake. Simply noting the range of recent GAO reports for this Committee suggests the value that they represent. They have done work for us on border security, Hurricane Katrina, homeland security grants, interagency contracting, immigration services, human capital reform, and, of course, the well-known high-risk list of government agencies and programs.

I was, of course, very pleased that the GAO has removed the U.S. Postal Service from the high-risk list this year as a result of reform legislation that Senator Carper and I sponsored in the last session of Congress. I hope that the high-risk list may soon have another success story. S. 680, the Accountability in Government Contracting Act, which I have introduced with the Chairman, Senator Coleman, Senator Carper, and Senator McCaskill, will strike at many of the serious issues that GAO has identified in the acquisition and oversight processes that govern billions of dollars in Federal contracting each year. GAO's research findings and recommendations played a key role in the development of that bill.

The GAO has also provided a great deal of valuable analysis and assistance on issues before this Committee, such as homeland security and disaster preparedness and response, issues that have accounted for much of this Committee's work during the past 2 years. Following Hurricanes Katrina and Rita, the GAO provided Congress with more than 30 reports and statements on FEMA, Federal grant programs, disaster housing assistance, medical expenditures, contracting, and disaster program waste, fraud, and abuse. All of this work was extremely helpful last year as the Committee conducted its extensive in-depth investigation of the failed response to Hurricane Katrina.

I understand, as the Chairman has indicated, that GAO has computed its fiscal year 2006 financial benefits of its work at $51 billion, representing an amazing return of $105 for each $1 spent. That kind of return, not to mention the GAO's clean financial statement, should be the envy of both the private sector and government organizations. That GAO has been able to perform all of this work on a budget that is 3 percent lower in real dollars than just 4 years ago is truly impressive. I hope today's hearing will not only illuminate some of the fine service that GAO performs, but also spread Mr. Walker's message about the challenges of funding operations and human capital needs now and in the years ahead.

Some of you may recall that Senator Voinovich and I collaborated in 2003 on authorizing some personnel reforms for the GAO, and I look forward to hearing about further needs in this area as well.

Let me close with one more note of appreciation, and, again, it is an issue that our Chairman has mentioned.

GAO's leadership in the continuing nationwide Fiscal Wake-Up Tour on our long-term Federal budget problems strikes me as a particularly valuable public service. As demands for new or increased Federal spending multiply, the core fiscal reality is this: We are on an unsustainable path that cannot be remedied with simple solutions. This message needs forceful and repeated explanation and examination, and I commend Mr. Walker for working with a wide variety of groups across the political spectrum to spread that message in a responsible way that educates the public but does not prejudge policy choices or outcomes.

In sum, Mr. Chairman, we have a wide variety of reasons to welcome Mr. Walker here today, and I commend you for scheduling this hearing.

Chairman LIEBERMAN. Thanks very much, Senator Collins.

Senator Voinovich, who has worked so much on issues related to human capital management, unfortunately cannot stay very long, and I wanted to ask him at this point to perhaps make an opening statement.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Mr. Chairman, thank you for holding this hearing. Comptroller General Walker, I just want to express my appreciation to you for all of the help and cooperation that you have given me since I have been a Member of the U.S. Senate. I think that history will record you as the most outstanding Comptroller General that we have had. I would agree with the statements made by the Chairman of the Committee and the Ranking Member of how you have contributed to improving the management of government here in the U.S. Senate and in the country, and also for your very responsible effort to awaken the American people to the looming fiscal crisis that we seem to continue to ignore.

I am particularly interested in hearing from you about what you have done with the personnel flexibilities that we have given to you, in particular authorities to enhance your pay-for-performance system, which is something that still is a controversial thing here. And last, but not least, some of the other ideas that you have on how you feel that you can improve GAO's operations.

As mentioned, we get thousands of reports. Mr. Chairman, is that correct?

Chairman LIEBERMAN. We had more than 200 in just the last year directed to us.

Senator VOINOVICH. I would be interested in your perspective, Mr. Walker, on how you decide where you put your emphasis and human capital.

Mr. Chairman, thank you very much, and I would ask that my total statement be made a part of the record.

Chairman LIEBERMAN. Without objection, so ordered.

[The prepared statement of Senator Voinovich follows:]

PREPARED STATEMENT OF SENATOR VOINOVICH

Thank you, Mr. Chairman, for holding this important hearing. Since its creation in 1921, GAO has worked with Congress to make Federal agencies and programs more accountable. GAO works for Congress, but its beneficiaries are the American people who rightfully expect the Federal Government to spend their tax dollars

wisely. Today, we examine the results GAO has achieved and the challenges it faces.

Under Comptroller General Walker's leadership, the depth and breadth of GAO's work on behalf of Congress has continued to expand. Congress has provided GAO with personnel flexibilities to recruit, retain, and reward the highly-skilled workforce necessary to get the job done. While there is always room for improvement in human capital management, I am pleased that GAO has led by example in managing its workforce. Comptroller General Walker has not lost the connection between good management practices and operational success.

I commend GAO for its continued commitment to the high-risk list. This bi-annual report outlines governmentwide and agency-specific programs that are susceptible to waste, fraud, abuse, and mismanagement. In 2005, my good friend Senator Akaka and I began an extensive review of GAO's high-risk list, which to date has included eight hearings, as well as regular meetings with GAO and the Office of Management and Budget. Our work on DOD supply chain management and security clearance reform has helped DOD to better manage these areas which can have negative implications to our Nation's security and waste taxpayer's money. It is imperative that we continue our work to resolve the management challenges on the high-risk list.

However, in some instances, improving the performance of a high-risk program area requires more than implementing sound business practices and oversight from Congress. Transforming the Department of Homeland Security represents the single largest restructuring of the Federal Government since the creation of the Department of Defense in 1947, and continues to be a top priority for me.

That is why I am so pleased that S. 4, which recently passed the Senate, would create a Chief Management Officer at DHS. I believe the creation of a CMO is essential in addressing the critical management challenges facing the Department, and will generate the high-level attention and focus needed to produce results.

I have been working closely, for some time now, with Comptroller General Walker on the issue of our Nation's fiscal health. America's fiscal situation is dire. And, it's getting worse by the day. In the simplest of terms, the Federal Government continues to spend more than it brings in. We are using our children and grandchildren's credit card for today's needs, knowing that the interest and debt will continue to accrue. We have an obligation to share with the American people the grim state of our fiscal health. That is why GAO's work on long-term fiscal challenges is so important. This is a call to action that no one who cares about the future of our Nation can ignore.

I have said many times that I am concerned we are running out of time to face reality and do what is right. If we don't assume the responsibility of reversing our irresponsible behavior and nurse our fiscal system back into good health, how can any of us look our children and grandchildren honestly in the eye and pretend to be concerned about their future?

Since I arrived in the U.S. Senate, the national debt has increased from $5.6 trillion in 2000 to $8.6 trillion today—an increase of more than 50 percent in just 7 years. This amounts to $29,000 of debt for every American. What is even more concerning, however, is that 55 percent of the privately owned national debt is held by foreign creditors, including the Chinese government—and that's up 35 percent from just 5 years ago. Yet, these numbers, which represent our past behavior, pale in comparison with the budget problems looming in our future as the Baby Boom generation begins to retire less than a year from now.

We have a moral obligation to restore the fiscal health of our Nation. I agree with Comptroller General Walker. Our commitments to the War on Terror, to defending our borders, and to investing in our national infrastructure of competitiveness, demand tremendous resources and require long-term financial obligations. The need for tax reform and entitlement reform has never been greater.

That is why I am pleased to have partnered with Congressman Frank Wolf to introduce the *Securing America's Future Economy Commission Act*, which establishes a national, bipartisan commission to present solutions to place the Nation on a fiscally sustainable course.

The Commission will hold town hall meetings throughout the country to engage in a national discussion with citizens and consider possible policy options and will produce a report to Congress with proposed legislation. Our bill establishes that the Administration and Congress will have 90 days to review the proposal and develop an alternative package of reforms if they believe it is necessary. The most important feature of the bill is the fast-track procedure to guarantee a vote in Congress on either the Commission's legislation or Congress's alternative.

We, in Congress, need to do a better job of oversight, and will continue to rely on GAO to support our efforts. Together, we can help bring increased attention to the challenges facing our Nation. Thank you.

Chairman LIEBERMAN. Thank you, Senator Voinovich.

Mr. Walker, Comptroller General, honorable friend, welcome.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WALKER. Chairman Lieberman, Senators Collins, Voinovich, and McCaskill, thank you very much for the opportunity to be here, and thank you for your kind remarks.

Let me say at the outset I am pleased and honored to be able to head the GAO. I work with over 3,000 of some of the brightest, best educated, and most dedicated public servants that exist on this planet, and while I am their leader, believe me, we are a team. I very much appreciate your kind comments, and I will take them as reflecting on the entire organization, as they should.

I appreciate the opportunity to be here today to talk about GAO's role, to review a few of our recent major initiatives, and to talk about some of our current challenges and future directions. I think it is important to note that GAO is in the business of trying to improve government performance and assuring accountability for the benefit of the American people. We are in the oversight, insight, foresight, and adjudicatory business. And as I know every Senator here recognizes, GAO is truly a strategic asset for the Congress, in general, and for this Committee, in particular, as we try to go about addressing various sustainability challenges and transforming government to better meet the challenges and capitalize on the opportunities of the 21st Century.

We have an ability to look longer range, to look across silos, and to employ a more integrated approach to a range of issues, and I might add this Committee has that same ability. You are uniquely positioned to be able to address a number of the current and emerging long-range and cross-cutting issues that exist and that face the United States in its position in the world.

But also being the chief audit organization of the United States, I believe very strongly—and our employees and executives have risen to the challenge—that we have an obligation to lead by example, to be as good or better than any other government agency in every major area of management.

Now, if I can, let me summarize some of our most recent significant publications that I think should be able to help you help the American people, and that is what we are all about—trying to make a difference. And I know that is what all of you are all about.

In the area of oversight, on November 17, 2006, I sent to every Member of this Committee a list of 36 suggested areas for oversight. Believe me, it could have been much longer, but we have to try to prioritize. And these are areas that in some cases have received oversight in the past, and they need continued oversight. In some areas, they really have not had as much oversight as they deserve, and I would commend to you this document as you are try-

[1] The prepared statement of Mr. Walker appears in the Appendix on page 29.

ing to set the agenda for this Committee and for the respective Subcommittees.

In January 2007—because clearly one of the biggest issues on the agenda in November in the minds of the American people was the challenges that we face in Iraq—we issued a special report on work that we have done in Iraq and suggested a number of areas that are in need of additional oversight with regard to that particular issue.

At the end of January, we issued our new high-risk list, which has 26 areas on it, 15 of which relate to the Department of Defense directly or indirectly. It is clearly the most challenged entity in the Federal Government at the present point in time with regard to management, economy, and efficiency matters. In fact, many of you participated in the release of this, and I want to thank you for your interest and efforts in that regard. And I do want to note that two items came off the list. In particular, I want to commend this Committee, Senator Collins, Senator Carper, and others for their leadership in connection with postal reform legislation. There was a combination of efforts by the leadership at the Postal Service as well as achieving this landmark legislation that enabled us to take the Postal Service's transformation effort off the high-risk list. And that is an example of how we have to move beyond fraud, waste, abuse, and mismanagement. We should have zero tolerance for fraud, waste, abuse, and mismanagement, but it will never be zero. As you all know, there is no line item in the Federal budget that says fraud, waste, abuse, and mismanagement that you can just eliminate. In fact, arguably, the largest item of waste in the Federal budget is the $227 billion in interest on the Federal debt, which is over double what we spent in Iraq because we get nothing for interest. It is for past excess consumption. But the key is that we need to transform what government does and how it does business. There is much more money to be obtained in that, but we also should try to minimize fraud, waste, abuse, and mismanagement.

On insight, we have issued a comprehensive framework on our work in conjunction with Hurricanes Katrina and Rita for this Committee. We have recommended a number of improvements to management structures—in particular, the need for a chief management official in selected departments and agencies to elevate, to integrate, and to institutionalize a number of major transformation efforts. In my view, this is highly desirable at the Department of Homeland Security and at the Office of the Director of National Intelligence. It is absolutely essential for the Department of Defense, in my view.

We have talked about the need for a comprehensive human capital reform framework. We are in danger of seeing a fragmentation of the rules that apply to civil servants in this country. At present, many agencies are trying to pursue their own actions without a comprehensive framework that is necessary to make sure that we are making progress while preventing abuse. We have also talked about the need for this Nation to implement a set of key national indicators, outcome-based indicators to be able to assess our position, our progress, and how we compare to others.

On foresight, our 21st Century Challenges document raises over 200 questions that need to be asked and answered to reengineer

the Federal Government for the 21st Century. Our fiscal stewardship and sustainability report that was sent to every member of the Senate and House in January lays out in clear and concise terms where we are, where we are headed, and as Senator Collins said, the fact that we are on an imprudent and unsustainable fiscal path. As a result, we need to start making tough choices sooner rather than later. And our new strategic plan, which we are preparing in conjunction with the Congress, will be coming out at the end of this month. It will include various themes and challenges facing the United States.

With regard to GAO, I am pleased to say that our executives and employees have risen to the challenge to lead by example, and we are in the forefront of government transformation as it relates to strategic planning, organizational alignment, human capital practices, financial management, information technology, performance metrics, and a variety of other areas. We are the leader or one of the leaders recognized by independent third parties in all of these areas. And in part, it is because of the authorization that this Committee gave GAO in the human capital area or other support that this Committee has provided.

I also might note that we have of late experienced certain records or people access challenges which are in various stages of trying to resolve. In the case of the Department of Homeland Security, we have had a number of delays, not outright denials. They have an inefficient process for trying to be able to deal with requests from GAO, but I am pleased to say that within the last week I had a constructive conversation with Secretary Chertoff, and I am hopeful that we are going to see positive progress moving forward.

With regard to the Department of Defense, we may be issuing our first demand letter since the Cheney litigation in the near future if we cannot achieve successful resolution of a couple of requests that have been pending for months at the Department of Defense.

At the State Department, we have been seeking their approval for a number of months for GAO to be able to have three persons spend up to 3 months in Baghdad, in the Green Zone, at the request of the Congress to provide a continuing presence there as a supplement to projecting people in and out of that country on a periodic basis, and they have yet to approve our request. I am trying to resolve that.

With regard to linking resources to results, Mr. Chairman, I am a strong believer in linking resources to results, although I would respectfully suggest that is totally inconsistent with how the appropriations process works for the Federal Government. And that is one of the reasons why we need key national indicators, so we know what the results are, what the outcomes are, and so the Congress can make better decisions in connection with authorizing, reauthorization, oversight, and appropriations matters.

For GAO, since 2003, as you pointed out, our purchasing power has declined 3 percent, and our results have increased dramatically. But that is going to change if we do not get more support. We have done about everything that we can do to improve our processes, to leverage our technology, to try to do what we can within available resource levels. Our backlogs are real, and our

supply and demand imbalance is going to get worse over time because of the tremendous pent-up demand to address some of the issues that I talked about. In that regard, this country is a great country, but it faces many serious sustainability challenges—fiscal, health care, Social Security, education, energy, environment, Iraq, and immigration. They are all sustainability challenges. Our present course is not sustainable. We need to make some changes, and we can help the Congress make timely, informed judgments in these areas.

With regard to legislative proposals, there are several that we are going to be seeking your assistance on:

First, GAO's authorities and human capital flexibilities. We have looked at our authorities and tried to ascertain where they need to either be reaffirmed or strengthened. And, we have looked at our human capital flexibilities, and there are at least a couple of things that we think would benefit our employees that we are going to ask for your consideration, specifically, for example, to eliminate the GS 15–10 cap for pay for some of our employees. That would not give us more money. It just means that we can end up paying what the market says that we should pay in some circumstances without being artificially constrained by that GS 15–10 cap. We will propose an alternative cap that would hopefully be acceptable to this Committee.

And, second, as we move to a more skills, knowledge, performance, and market-based pay system, we want to make sure that, to the extent that we provide part of annual compensation in the form of a bonus that historically might have been paid in the form of base pay, it should not penalize somebody's "high three" for pension purposes. I think that is very important, and we want to try to do that. It is very pro-employee. I think you will find when you see what we are going to be asking for, it is all pro-employee, and I think that is important.

We are going to be asking for authority to establish a Board of Contract Appeals for Legislative Branch contracting disputes. We are also going to be asking for your support to eliminate a number of mandates that have occurred over the years that do not pass a cost/benefit test, to put it plainly.

And, last, we are going to work with this Committee and its Members to seek support for moving legislation that would improve transparency in accounting and budgeting matters. We clearly need to have more transparency with regard to our long-range fiscal situation, in financial reporting, in the President's annual budget documents, and in the budget process that Congress goes through in discharging its constitutional responsibilities.

In summary, Mr. Chairman, I think GAO is a very important agency. I think it is becoming more important as time goes on. I think it is clearly a strategic asset for the Congress, and in particular for this Committee. I want to thank you for all your past support. I want to seek additional support in this and other areas. And I am more than happy to answer any questions that you and the other Senators may have.

Thank you.

Chairman LIEBERMAN. Thanks very much, Mr. Walker. Excellent opening statement. I guess we can do 7-minute rounds of questions to start off with.

Let me focus for a moment on your budget. Just give us an overview of how many employees you have now and how much funding you received this year and what is the proposed funding for next year.

Mr. WALKER. We have about 3,200 employees. As you pointed out, we were downsized about 40 percent in the mid-1990s. We had a hiring freeze for about 5 years, limited promotions, etc. Our head count, as I look here before me, which I believe is in Appendix IV of my statement, was 3,194 for 2006. It is expected to be about the same for 2007. Our total budget was $484 million in 2006. As you pointed out before, we generated $51 billion plus financial benefits in that year. That is how you get to $105 billion.

But if you look at Appendix IV, you will see that in purchasing power, the peak of our purchasing power since I have been Comptroller General was in 2004 at $495 million, and it has declined since then.

Chairman LIEBERMAN. Yes, that is what is really compelling about Appendix IV, which is that the line goes down, basically. Occasionally a little blip up, as from 2002 to 2003, but in real dollars you are down from a high of $602 million in support we gave you in 1992 to $479 million for 2007.

Mr. WALKER. And as you know, 80 percent of our budget is for compensation costs. And of the other 20 percent, a majority of it is for nondiscretionary items. They are contracting costs to maintain our computers; they are for rent; and they are for items that really are nondiscretionary. And so we have done everything we can to try to get as much as we can, but I fully also recognize that the Congress has constraints. We do have a fiscal challenge. At the same point in time, I would hope that in trying to constrain spending Congress would allocate whatever spending that is made to the agencies that generate results. So it is a reallocation rather than necessarily continuing to increase levels.

Chairman LIEBERMAN. Are you asking in the appropriations process for an increase beyond the amount recommended for next year?

Mr. WALKER. I testified last week before the Senate Legislative Branch Subcommittee. Senator Landrieu is Chair of that.

Chairman LIEBERMAN. Right.

Mr. WALKER. We had a very positive hearing, and I know she wants to try to be helpful. But I think the key is that while we are not asking for a head count increase this year, we are asking for about an 8.5 percent dollar increase in order to be able to do things that have been deferred for too long and in order to make sure that we are in a position to continue to improve our productivity and maintain our results and not increase backlogs.

Chairman LIEBERMAN. So that is an increase for overall spending, not in personnel.

Mr. WALKER. We are not asking for an increase in personnel with regard to fiscal year 2008. I did, however, say that, in my opinion, we are going to need to look at possibly an increase in personnel, in installments, over the next 6 years or so. As I look at

existing supply and demand imbalances and what is likely to occur in the years ahead, the Congress is going to need more help to address a lot of these challenges, and we are well positioned to do it.

Chairman LIEBERMAN. So in dollars, how much more does 8.5 percent come to?

Mr. WALKER. I think it is around $530 million in total authority.

Chairman LIEBERMAN. As opposed to $479 million, you are asking for $530 million?

Mr. WALKER. As opposed to $489 million, which includes $481 million in direct appropriations and almost $8 million from reimbursements for selected financial audits and for lease of GAO building space.

Chairman LIEBERMAN. Right.

Mr. WALKER. It is about $489 million. But that includes reimbursements that we receive from financial audits and space leasing.

Chairman LIEBERMAN. Perhaps we as, in a sense, your authorizing Committee can work with Senator Landrieu, who, of course, is also a Member of this Committee.

Mr. WALKER. Which is helpful.

Chairman LIEBERMAN. It is. Let me ask you to just take a minute or two and give some detail and life to this remarkable return-on-investment number that I cited in my opening statement. Where is it coming from?

Mr. WALKER. One of the things that we do is measure success on four bases: Results; client feedback, which means the Congress; employee feedback, our most valuable asset; and partner feedback.

On results, there are several measures, one of which is financial benefits. Financial benefits represent the amount of money that either is saved and/or freed up for redeployment to higher priorities as a result of either the Congress or the Executive Branch adopting a GAO recommendation. The latest summary annual report that we issued is this document, which I know has come up, and this document summarizes some of the greatest financial benefits for the particular year.

Chairman LIEBERMAN. Give us a few examples, please, if you can find them quickly.

Mr. WALKER. I will be happy to do that. For example, ensuring the continued monetary benefits from Federal full spectrum auctions, $6 billion; working with DOD to reduce unobligated funds in military service operations and maintenance budgets, about $4 billion; adoption of alternative payment methods to cut Medicare costs for durable medical equipment, about $3 billion.

Chairman LIEBERMAN. OK. Those are each responses to the investigation reports that GAO did.

Mr. WALKER. And specific related recommendations. Importantly, we achieved confirmation that the recommendations have been adopted, and we do not come up with the financial benefits. Those are from numbers that we receive from others, and any major financial benefit over a certain amount of money is also looked at by our Inspector General to make sure that she believes that we are appropriately taking credit.

Chairman LIEBERMAN. OK. That is truly impressive. Am I correct that there is a growing number of requests for action by GAO from Members of Congress?

Mr. WALKER. In the short term, no. But it is a timing difference. Let me clarify what is going on now. There were increasing requests until the change in control of Congress. As has historically been the case when there is a change in control, it takes a little bit of time for the Congress to be able to staff up, to decide what its agenda is going to be, and so we see a delay in new requests.

The most recent statistics are as follows: We have had a significant increase in hearings that are based upon past GAO work and pent-up demand. We have seen a temporary decrease in requests, but we know based on past history that it is only temporary. And based upon conversations that we are having with people on the Hill, we know there is a lot in the pipeline that just has not come in the door yet.

Chairman LIEBERMAN. Very interesting. But skip back before this January 1. Over the preceding 5 years, was there an increase in requests?

Mr. WALKER. Yes, it varied by year, but here is the important thing, and I know that Senator Voinovich mentioned this before. We are much more discerning about requests that we accept. We are basically to the point that because of supply and demand imbalances, if it is not a Chair or Ranking Member of a committee or subcommittee with jurisdiction over the matter, we are having to say no because that is where we are on supply and demand. There are certain areas where we have significant supply and demand imbalances, including health care and certain aspects of homeland security, and we expect they are going to grow over time.

Chairman LIEBERMAN. Thank you. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Walker, I mentioned in my opening statement your Fiscal Wake-Up Tour, which I think is so beneficial as far as educating the American people about the tough budget challenges that we face. And you have made a convincing case that our current fiscal path is simply not sustainable. There is, however, still a lot of misconceptions about the path that we are on.

In August 2006, the GAO put out a very interesting set of charts to accompany you on your tour, and one of the charts appears to show that neither slowing the growth in discretionary spending nor allowing tax relief to expire, nor both together, would eliminate the imbalance. Is that correct?

Mr. WALKER. That is correct.

Senator COLLINS. And that suggests to me that Congress really needs to tackle entitlement reform, which is very difficult for us to do. Is that your conclusion as well?

Mr. WALKER. It is. Basically, here is my conclusion. In January 2001, based on reasonable assumptions, we had fiscal sustainability for 40-plus years. Today the same model that is used in order to calculate fiscal sustainability based on reasonable assumptions crashes in 40-plus years. We need to do several things.

We need to reimpose tough budget controls, tougher than we had before: Pay-as-you-go rules on both sides of the ledger; discretionary spending caps while not exempting large parts of discre-

tionary spending; mandatory reconsideration triggers when certain mandatory spending programs and tax preferences get to a certain size of the budget and/or the economy; and mandatory disclosure of the long-range affordability and sustainability of major tax and spending proposals before they are enacted into law. We need to reform Social Security, Medicare, and Medicaid; we need to reengineer the base of other spending; and we need to engage in comprehensive tax reform and get more revenue as a share of gross domestic product (GDP) than we do now. We need to do all those things.

We are going to have to get the most money, in my opinion, out of entitlement reform. That does not mean eliminating these programs. It means better targeting them to those in need, considering more income-related premiums, and employing managed-care approaches to control cost, among other things.

Similarly, we need to act on tax incentives. We need to target tax incentives better, as well. But we are also going to need to reengineer and constrain other spending, and ultimately we are going to need to engage in tax reform in a way that generates more revenues as a share of the economy than we now have. The numbers just do not work. They do not come close to working. And here is the sad thing. We have gone from total liabilities in unfunded commitments in this country of $20 trillion 6 years ago to $50 trillion. In 6 years! It is going up $3 to $4 trillion a year on autopilot. So every year that we wait, it is going up $3 to $4 trillion a year. We are now at 95 percent of the estimated net worth of every American household, and on our current path we are going to pass 100 percent within 2 years.

So that is a pretty compelling case.

Senator COLLINS. It is indeed. When you look at the entitlement programs, if you were advising Congress on which we need to tackle first, is it the Social Security side or is it the health programs?

Mr. WALKER. I think we need to do the following—and, by the way, I know that Senator Voinovich and Congressman Wolf have a commission proposal. There are several other commission proposals up here. My personal view is the first thing that we need to do is reimpose budget controls; second, engage in comprehensive Social Security reform that will make that program solvent, sustainable, and secure indefinitely. And, believe it or not, that is easy. We can exceed the expectations of every generation—with or without individual accounts—you can make it work. And I am working with others on that. Third, round one of tax reform, including doing something about AMT. And, fourth, round one of health care reform, which includes considering the tax preferences for health care and income-related premiums for Medicare, etc.

If the Congress could do that, we could end up making a significant down payment on this $50 trillion imbalance. The Congress could end up gaining confidence and improving credibility with the American people. I really think that is possible. It is clearly necessary that it happens sooner rather than later. The question is: Will it?

Senator COLLINS. I thank you for those responses. I think that the work you are doing in this area and particularly the educational tour are really important because it is only going to come

about if we educate the public about the tough choices that are going to be necessary. I think only then will Congress summon the political will to tackle all of these issues in the broad and necessary way that you have suggested.

I want to switch to a different issue. You and I have talked a little bit about a contracting reform bill that I have introduced, along with the Chairman and my colleague, Senator McCaskill. It is intended to respond to numerous reports that the GAO has done over the years as well as the IGs which highlight abuses in contracting and overreliance on sole-source contracts and poor management in general of contracts, and the result costs us literally hundreds of millions of dollars in waste, probably even more.

I know that my staff is having discussions with you. I think now that you are going to have some suggestions for us. But overall, do you see a need for a contracting reform bill along the lines of what we have introduced?

Mr. WALKER. Senator Collins, we have done a lot of work in this area. There are serious challenges in this area. I think the contracting area is in need of fundamental reassessment and reform. Some of it will require legislation. Our staff is looking at the details. The preliminary feedback that I have received is a number of the proposals you have are consistent with some of the issues that we think need to be pursued.

I am sure that we will have some potential suggestions for you, but I think clearly action is going to be necessary. And, frankly, I think one of the things that I would respectfully suggest that this Committee think about is whether or not it is appropriate to have a hearing to look at the contracting and acquisitions area. It is really out of control. I mean, we have strayed so far from where we were a few years ago as to who is doing what, on what basis, how are they getting compensated, and I think that your bill will address some of that. But there are issues that do not require legislation that need to be addressed that we need this Committee's help on as well.

Senator COLLINS. Thank you.

Chairman LIEBERMAN. Thanks very much, Senator Collins. We will do that. We will hold a hearing because when you say the contracting and acquisition systems of the Federal Government are "really out of control," that is enough. I think we know that, but your saying that is enough for us to make sure we hold a hearing.

Mr. WALKER. And one example, Mr. Chairman, is that we have come up with a list of 15 systemic acquisition and contracting problems. The illustrated case is the Department of Defense, but it applies beyond the Department of Defense. It costs billions every year.

Chairman LIEBERMAN. Thank you. Senator McCaskill.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Thank you, Mr. Chairman.

My friends are teasing me because they have come to my place—I am living here in Washington, and on the way to my kitchen every morning to get my cup of coffee, I look out my front window, and I look at the front yard of GAO. I am your next-door neighbor. And they are teasing me that I got that place to live in Washington

so I could be close to GAO because they know how interested I am in this area.

Let me start with talking about access issues. I was in an interesting hearing yesterday having to do with the levies on uncollected taxes for Medicare providers and listened to testimony that just made me want to tear my hair out about an access issue that GAO was having in getting data from CMS. And believe it or not, Mr. Walker, the testimony was, keep in mind, they got 9 months' worth of data, but then they would not give them any more data because the arm of GAO that was looking at this, which was the forensic investigatory arm, had not signed a data use agreement.

Now, to me as an auditor, when part of government starts saying you have got to sign an agreement before we give you the information for you to do your audit, it is a giant red flag. Generally, that is done when you want to circle the wagons, when you want to make excuses, when you want to protect your turf. And I would really like to be more helpful on access issues. I would like to be prepared in every hearing I attend with any agency if there have been access issues or there are access issues. In fact, I addressed this issue with Secretary Chertoff when he was in front of this Committee about having lawyers sit in on interviews with employees at the Department of Homeland Security. And I was amazed that Secretary Chertoff said, "Well, I think having lawyers there is important." And I said, Well, you understand the audit process. If there is information that is going to go in the audit, you are going to have an opportunity to review that, and you are going to have an opportunity to talk about legal issues, and GAO is not going to be interested in putting anything in an audit that is going to compromise any kind of security issues. What they are interested in is gathering information in the most open setting they can possibly gather it. And so I was frustrated at his unwillingness to recognize that putting a lawyer in the interviews is counterproductive to the process.

Is there a way that you could notify Congress or notify Members of this Committee or even—I am certainly vitally interested in this—about the ongoing access issues you have as you are doing audits because they are incredibly expensive because they slow things down immensely.

Mr. WALKER. Senator McCaskill, first, I hope it is an inspiring view every morning when you look out and see GAO every morning.

Senator MCCASKILL. It is inspiring. It puts a spring in my step.

Mr. WALKER. And you have upgraded our neighborhood by moving in.

Senator MCCASKILL. There you go. [Laughter.]

Mr. WALKER. So I appreciate that.

We are monitoring very closely records and people access challenges. In fact, ever since the Cheney case where we, unfortunately, had to sue the Vice President over a records access issue some years ago, every week in the managing directors' meeting that I chair, typically on a Friday, I will go around the table and ask: Are we having a records access or people access challenge? If so, what is it? What level are we dealing with? And sometimes I personally get engaged. I mentioned several examples earlier of

where I am personally engaged right now in dealing at the secretarial or deputy secretarial level because we are having a problem.

Typically, it is delays, not denials, and you are correct, having been a former State auditor, to understand that there are certain words and approaches that are red flags. Now, fortunately, in the case of the Department of Homeland Security, it was the exception rather than the rule that lawyers sat in. But, nonetheless, it can have a chilling effect.

The other thing that I have found being in government in my position for a number of years, when somebody says that something is sensitive, I translate that to probably embarrassing.

Senator MCCASKILL. Right.

Mr. WALKER. And, therefore, we will be happy to work with you and others to let you know when we are having problems because many times it makes sense for us to pursue our statutory rights to issue demand letters, etc. Sometimes it makes sense for Congress to exercise its constitutional responsibilities in order to try to be able to get this information as well.

Senator MCCASKILL. Well, I certainly think it would be helpful if it has gotten to your level to get a heads up so that we have an opportunity at the appropriate moment—I am thinking particularly because the Department of Defense, the armed services issues, many of our members are members of the Armed Services Committee, I think it would give us an opportunity to bang on the right people about access at the appropriate moment.

Mr. WALKER. On that, if I can, Senator, the Armed Services Committees are aware of the records access problems that we are having right now to obtain information on transitional readiness assessments on Iraqi troops, where we are trying to assess the readiness of Iraqi troops that are prepared by U.S. forces. The U.S. Government has funded billions of dollars for this, and the Administration is now asking for several billion more for the same thing.

Senator MCCASKILL. I would like to talk a little bit about consumption of your products. That is the challenge, in my opinion, is the work you do—I find it inspiring, and I am incredibly drawn to it, and I spend more time reading GAO reports than I spend reading anything else since I have arrived here. But I do understand that consumption is the issue and that we are spending—I think we should spend more on your agency, but if we are spending that kind of money on your agency and nobody is reading the stuff, that is a giant waste of money. And I would like to, as I read your stuff, I find sometimes I can easily find what I want to know. Sometimes it is more difficult for me in terms of getting into the report and finding what I want to pull out in order to ask the right questions and try to provide the kind of oversight that I think that we can help provide.

If you would speak just a moment, because my time is about out, about consumption and what you do to try to facilitate getting Members of Congress to read this stuff. I questioned the Secretary of the Air Force this week at a hearing. I looked at their testimony last week on the acquisition of the systems and the big problems they have with identifying needs at certain junctures and how much money that is costing us. He was not even aware of this information, and he was the Secretary of the Air Force. I asked him,

Have you read it? And he acknowledged—and credit to him that he was honest about it—that he had not even read it.

We have got a problem if the Secretary of the Air Force is not aware of the information that you all have uncovered. He was making a tanker his biggest funding priority, and you laid out in this report how the information they were relying on to buy that tanker was flawed.

Mr. WALKER. Well, Senator, thanks for asking that question. It is a challenge, and, unfortunately, that happens all too frequently, where the people at the right level are not familiar with some of this information. It does not get to them. It is not because we have not sent it over there, but there are so many layers, so many players, that it does not necessarily get to the right person. Here is what we have tried to do:

First, several years ago I recognized that no matter how good GAO's report might be, a senator, a cabinet secretary, or people right below that level are not going to read something this thick. And so, therefore, several years ago we established a policy where every major testimony and report has a one-page summary that says here is what we did, here is who we did it for, here is why we did it, here is what we found. That has been tremendously successful. We have received positive feedback from members, from key staff, from the press, and from the public.

One of the things you referred to is what I would call our "quick-look" reports. One of the things that we issue once a year for the Defense Department are one-page summaries of where things stand on a number of major acquisition initiatives. Again, one page. It conveys a lot of really critically important information in one page with the hope and expectation that the key decision-makers will have time to at least read one page. However, if they never get it, they cannot read it.

So my view is the problem in that case is within the Department of Defense, that we are doing whatever we can to try to be able to present timely, reliable, useful information clearly and concisely, but it is not always getting to the right person.

Senator MCCASKILL. Well, I am sure asking the question in every hearing, and hopefully we are going to inspire people to read more of them. But it would be interesting to do a study, a survey, on how many crucial people in these organizations that need to be consuming your product, how many of them are and what are the barriers they find in terms of being able to do it.

Thank you very much.

Mr. WALKER. The last thing on this to help you is that I have sent the list of 15 systemic acquisition and contracting challenges in the Department of Defense to the Secretary, to the Deputy Secretary, and to the Under Secretary for AT&L and have asked for a meeting to be able to brief them on this issue because it has got to come from the top.

Senator MCCASKILL. Thank you.

Chairman LIEBERMAN. Thank you. Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman.

Senator Lieberman and Senator Collins, I want to thank you for your leadership of this Committee. In 2007, we are working more hours and trying to improve the way we govern. This is where GAO comes in.

And I want to say, Comptroller General David Walker, that over the years it has been a real pleasure for me to work with you. You have helped us a lot on this Committee, and I look forward to continuing to work with you, and I thank you for your testimony today.

I would like to get your opinion on the record concerning legislation that Senator Lautenberg and I introduced earlier this year—S. 82, the Intelligence Community Audit Act of 2007.

First, to quote from a letter that you sent to the Senate Select Committee on Intelligence, a copy of which both you and they graciously provided to me, and you wrote, ". . . the Executive Branch has not provided GAO the level of cooperation needed to conduct meaningful reviews of elements of the Intelligence Community. This issue has taken on new prominence and is of greater concern in the post-9/11 context, especially since the Director of National Intelligence has been assigned responsibilities that extend well beyond traditional intelligence activities."

I want you to know that I agree with your statement, which is why I introduced S. 82, to reaffirm GAO's authority in this area.

I would ask consent, Mr. Chairman, to place into the hearing record GAO's letter to the Intelligence Committee.[1]

Chairman LIEBERMAN. Without objection.

Senator AKAKA. One of the principal recommendations of the 9/11 Commission was to encourage improved oversight by Congress of the intelligence community. And I would observe that Representative Hamilton and Senator Gorton, when they testified before this Committee in January, endorsed the intent of my legislation. To quote Representative Hamilton, "The intelligence community in turn would benefit from its agencies being held to the same high standards of performance as other agencies of the Federal Government."

I want to, at this point, mention to Senator McCaskill that I share your concern over GAO's access issues, which leads me to my first question.

Mr. Walker, what areas do you believe that this Committee, in fulfilling its oversight responsibilities, could benefit from the GAO conducting audits and evaluations of the intelligence community that the GAO currently is unable to do because of obstacles presented by the DNI?

Mr. WALKER. Well, first, Senator Akaka, let me thank you for your interest and efforts in this regard. I do believe that your legislation has strong conceptual merit, and I think it would help tremendously if the Congress ends up moving legislation along the lines of what you have suggested.

In my view, the three biggest transformation challenges that exist in the Federal Government from a management standpoint are: The Department of Defense, the Department of Homeland Se-

[1] Letter to the Senate Select Committee on Intelligence, dated March 1, 2007, from GAO, appears in the Appendix on page 53.

curity, and the intelligence community. The intelligence community wants to say that it is different. In reality, it is not that different. The intelligence community needs to have strategic planning, organizational alignment, human capital strategy, information technology, financial management, acquisitions/contract management, change management, knowledge management, etc. Every agency needs that.

We have had broad-based authorities to do work in the intelligence community for many years; however, as a matter of policy, going back two prior comptroller generals, we have not done much work in the intelligence community because, after the Intelligence Committees were set up in the Congress, there was resistance from the intelligence community for us to do any work, and we did not receive any requests from the Intelligence Committees to do any work. And since we had a huge supply and demand imbalance—we had more people wanting us to do work in areas where we were getting congressional support and weren't facing resistance—my predecessors made a conscious decision not to allocate GAO resources there unless and until we either received more support from the Intelligence Committees or a more cooperative attitude from the intelligence agencies.

The irony is there is no question we can help the intelligence agencies. You may know, our No. 1 competitor for new hires is the CIA. We hire the same kinds of people—highly educated people to do analytical work. They just do different kinds of analytical work.

So when you talk about a lot of the things that we have done at GAO, they have to do some of the same things there. We can help them. But, second, I know for a fact that the Intelligence Committees and others are having challenges in trying to oversee a number of their acquisition efforts, a number of their knowledge-sharing efforts, etc. And I think we can be helpful.

The key is we have people with all the necessary clearances. To my knowledge, GAO has never had a leak of classified information, never in its 86-year history. And so I think there is both a need and an opportunity for us to be able to do more work there, and I want to thank you for your related interest and efforts.

Senator AKAKA. Well, thank you for your response, and I want you to know that I am looking forward to working with you more closely on those issues.

I think we can both agree that Congress relies heavily on the solid work of GAO employees. Although I plan to hold hearings with the House Federal Workforce Subcommittee in the near future with Senator Voinovich, I have a few questions that I would like to ask you today about GAO's new personnel system.

I understand that GAO based its decision on Band 2 restructuring on a study completed by Watson Wyatt, a consulting firm, which found that many GAO analysts were overpaid compared to employees with comparable skills and experience in other agencies and in the private sector. Could you please describe the materials Watson Wyatt provided you on its study and how you evaluated its recommendations?

Mr. WALKER. First, I want to thank this Committee for its leadership that led to the passage of the GAO Human Capital Reform Act of 2004. That legislation gave GAO a number of authorities: To

decouple from the Executive Branch across-the-board annual increase. In the Executive Branch under the GS system, those agencies that follow it, 85 percent of annual pay adjustments have nothing to do with performance. They are on autopilot. They are based on the passage of time. That is obviously not a modern compensation practice or theory.

What we did after the passage of that legislation was we conducted the first ever professional and independent pay study of GAO's employees. We hired one of the top four firms in that business to do the work. It was done through a competitive process. They ended up conducting a compensation study to be able to understand what competitive compensation was for, in this particular case, our analysts—they have done it in other areas, but in this particular case analysts—for considering the type of organizations that we compete with to hire people and considering the type of organizations that we lose people to.

The focus was primarily on Washington because that is where 70 percent of our people are, but they also did work to understand salary differentials in the 11 other cities that we have employees because we have employees in 12 different cities in the United States.

The result of that study was, by and large, positive with one exception. The study came back and said for most of our employees GAO's pay ranges were competitive. For roughly 29 percent of our employees, we actually should raise our pay ranges, raise our pay ranges for attorneys, information technology specialists, and certain so-called Band 2 or mid-level personnel who were supervisors and leaders on a recurring basis, that we should raise their pay ranges, and, in fact, we did that.

But what it also came back and said is in 2006 about 10 percent of our workforce, based upon their roles, responsibilities, etc., they were paid above market, in some cases by $10,000 or more.

So what I did in that particular case is, looking at the statutory provisions that underlie the Human Capital Reform Act of 2004, which said, among other things, that I should consider equal pay for work of equal value, I should consider pay disparities and pay rates for individuals on the competitive basis in markets that we have people, I decided that it was not appropriate to provide across-the-board pay adjustments for people who were paid above market, in many cases by $10,000 or more. And at the same point in time, I decided not to freeze their pay across the board, which I had the authority to do under the law, because I wanted to provide an incentive for them to perform. And so we did make available to them an opportunity to earn performance-based pay increases and bonuses based upon how they do as compared to their peers.

Nobody's pay was cut, and if these individuals end up getting promoted to the next level or placed at the next level, they will have an opportunity to earn over $10,000 more than they ever could have earned under the old system. So we have a temporary problem. This year about half of the people that did not get an across-the-board increase last year did not get one this year. So we are already down about 50 percent in 1 year, and it is a temporary issue.

Senator AKAKA. Well, thank you very much for that response, and let me just finally conclude with this: Does GAO have a list of the outside organizations that GAO was compared to when Watson Wyatt developed their data? And will you submit for the record a copy of this information that Watson Wyatt provided to you?

Mr. WALKER. I would be happy to do that. In fact, I am in the process right now of responding to a congressional request. Some of this information we have already provided to our employees. Some of it we have already provided to the Hill. But I am happy to do that.[1]

And just to help you understand, Senator Akaka and other Members, what Watson Wyatt did was they looked at roles and responsibilities, they looked at the type of organizations that we compete with for talent, they picked compensation surveys that included those types of roles and responsibilities and those types of employers, and they did their work based upon the surveys. This is standard and the generally accepted methodology used for both the public sector and the private sector, but what I think some people are concerned about is we do not have individual pay ranges for individual employers. That type of information is not available. Plus it might cause antitrust or competitive concerns if that kind of information was provided on a recurring basis.

Senator AKAKA. Thank you. Thank you very much, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Akaka. Senator Voinovich, welcome back.

Senator VOINOVICH. Thank you, Mr. Chairman.

I would like to pursue what Senator Akaka has been questioning you about—GAO's performance management system. The fact of the matter is that it is not easy to follow up on the recommendations that come back. I was faced with a similar situation as mayor of the city of Cleveland, and it was very difficult. But we did find a lot of our people were overpaid for the positions that they had. I would suspect, Mr. Chairman, if we did that for Federal workers, we would find there are a lot of categories in the Federal workforce that are getting paid much more than their counterpart in the private sector and that we would find the same thing that you found, that about 20 percent of them maybe were underpaid for the jobs that they were doing.

But it might be something that we should look at. But it is tough to undertake it and do it.

I had the misfortune of having to freeze the pay of two of my directors—that was not easy. We did the same thing you did. These individuals did not get automatic pay increases, and over a couple of years the market caught up to them. But for the time being, there was a little heartburn. That is just part of the way it is if you are going to do this thing correctly.

I am very frustrated by the fact that it does not seem that we are moving as quickly as we should be with the high-risk list. This Committee is in its third year of overseeing the Department of Defense's supply chain management system. I am real concerned that Ken Krieg has left and question whether or not we are going to see

[1] GAO response to Senator Akaka appears in the Appendix on page 70.

the benefits of our oversight. That is why I think that having a Chief Management Officer at the Department of Defense would be good. If we do not have that, I am afraid that we will lose the momentum that we have, and that supposedly, if it comes out the right way, could save $24 billion a year. It has been on the high-risk list since 1990.

I am equally concerned with our system for security clearances, though I understand we are making some progress there. However, when I was at Wright-Patterson Air Force Base earlier this year, I learned they are 18 months behind on security clearances for people that work on the base.

Mr. Walker, I would like you to comment on how you think we could improve upon getting these various agencies off the high-risk list because we are talking about waste, fraud, abuse, and mismanagement of taxpayer dollars, and it just seems like we are not making the progress that we should be. We have 26 programs on the high-risk list right now, and if we are not careful, we will have 30. What can we do to do a better job? If you were advising our leaders and Members of this Committee, what would you say to us? How do we get some action?

Mr. WALKER. Well, thank you, Senator Voinovich. The first thing I would say is I touched on a number of documents that GAO has issued within the last several months, one of which was the new high-risk list. Others included, for example, the 36 areas that are in need of additional oversight.

I would suggest that the leadership of both the Senate and the House as well as the respective committees and subcommittees need to focus on those, need to target their efforts on those items, as well as selected issues in our 21st Century Challenges document that was issued in February 2005.

In the case of the Defense Department, it is the most challenged agency in government from the economy, efficiency, transparency, and accountability perspective. And we may be great on the battlefield, we may be unparalleled with regard to fighting and winning armed conflicts, but we are a D on those factors—15 of 26 high-risk areas.

Now, we are making progress in several areas, some more than others. With supply chain management, we have made some real progress. There is a possibility, if they can maintain momentum, they could come off in 2 years. It's a possibility. But you point out one of the real challenges we face. Many of these high-risk areas have been there for years, and it is going to take considerable and sustained effort over an extended period of time to deal with the problem. And that is why I feel that a Chief Management Officer or official at the Department of Defense is absolutely essential. It is not highly desirable. It is absolutely essential.

In fact, I am pleased to say that not only has GAO recommended it, but, in addition to that, the Defense Business Board has recommended it, the Institute for Defense Analysis has recommended it, and McKinsey, in a broader study, has also recommended it.

There are differences as to what level. There are differences as to reporting lines. There are differences as to terms of appointment. But there is agreement that this is necessary. And it needs

to happen if we are going to see this area and others come off the high-risk list within a reasonable period of time.

Senator VOINOVICH. Let's pursue that because I have had several conversations with Deputy Secretary Gordon England about this issue, and he was supposed to get back to me in regard to his decision. It is my understanding—and maybe you are familiar or not familiar—that one of those reports recommended a CMO, and it somehow got kind of taken out of that report. Are you familiar with that?

Mr. WALKER. Well, here is my understanding of where things stand: That GAO recommended a Level 2 official reporting directly to the Secretary, working in partnership with the current Deputy Secretary, that would have a 7-year term appointment, that would focus on the business transformation process and would not be an additional layer for day-to-day operations.

Defense Business Board (DBB) recommended 5-year, Level 2, reporting to the Deputy Secretary, if you will. But, again, they recommended a term appointment and Level 2, but a different reporting line.

And the Institute of Defense Analysis recommended that they have a deputy to the deputy, that it be Level 3, and that it have a 5-year term appointment. That is my understanding.

Now, only government would have a deputy to a deputy. I mean, that does not make sense. So there is agreement that there is a need, but you and I know, especially those of you who are on the Armed Services Committee, that rank matters in the Pentagon. And whether you are a civilian or whether you are military, rank matters. It is one of the most hierarchical organizations that exists. If this person is not a Level 2 official, they will not be able to operate on a level playing field with the service secretaries. That is essential because they do not need to just deal with the under secretaries, they need to deal with the service secretaries in order to get things done.

Senator VOINOVICH. Mr. Chairman, I would like to suggest that we really spend some time on this and see if there is a possibility that we can make recommendations in some of these bills that are going to be before the Senate, such as the Authorization Act, to make sure this happens because there seems to be a reluctance at the Department of Defense to move forward with it. I think we have an excellent opportunity to really see some significant change made over there. And I would hate to see 3 years of hard work on the supply chain go down the tubes because of the fact that we do not have someone that is going to stay on this as we transition to the next administration.

I really believe that, just as in the Department of Homeland Security where we have suggested a CMO, if we got that legislation passed, we could find someone who could do the job and who would be acceptable to both Republicans and Democrats. Somebody who is a real professional, in whom we have confidence, and no matter who is elected President, we can say, "There is a competent individual, and I am glad they are doing the job," and let them continue their important work. I really believe that is why we have had all these things on the high-risk list since 1990.

Mr. WALKER. Can I suggest for this Committee—I think it is within your jurisdiction to think about. I think government needs to step back and recognize that there are really three kinds of presidential appointees with Senate confirmation. There are policy players, which clearly ought to serve at the pleasure of the President. There are operational players, which in some circumstances you want a professional who may be a political appointee, but you do not want a partisan. You want somebody who is going to help make government more economical, efficient, effective, ethical, and equitable. And in that circumstance, you may want to have statutory qualification requirements. You may also want to have a term appointment, and there are some term appointments. And then there are adjudicatory and oversight professionals. Those are different jobs, and yet in many cases we treat them all the same. And I think that is part of the problem.

We need to step back and re-analyze, put them in different buckets, approach them in different ways. I think it will help us a lot.

Senator VOINOVICH. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks very much, Senator Voinovich. Your idea is a good one, and we ought to work on this together as the relevant bills work their way through the Senate.

I want to propose that we do one more 3-minute round each, maybe one question each, and then thank you and move on.

On the Senate floor this week, we are considering the budget resolution. The budget resolution has a pay-as-you-go provision in it. I know that you have advocated such provisions in the past. I wanted to ask you if you have had a chance to look at the language of this one and if you think it does what it ought to do?

Mr. WALKER. I have not looked at the language, but I will and I will get back to you on it.

Chairman LIEBERMAN. Very good. Well, I am going to stop at that one question and set a good example. [Laughter.]

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Walker, between 1991 and 2001, the total number of Federal civilian acquisition personnel decreased by 22 percent, and of the remaining acquisition workforce, approximately 38 percent will be eligible to retire by the end of this fiscal year. Now, during the same period of time, the number of procurement actions has risen by more than 12 percent. Studies have correlated this decrease in the trained expert acquisition workforce with the rise in the number and complexity of procurement actions and concluded that this is in part responsible for some of the poor procurement outcomes that we are seeing.

Have you looked at this issue? And do you have any recommendations on how we can counter the trend of a declining procurement workforce to deal with an exploding workload?

Mr. WALKER. Senator Collins, you are correct that the number of contracts has gone up and the complexity has increased, while at the same point in time the number of personnel in the acquisition workforce has gone down. And in some cases, it is not just the number. It is whether they have the right kind of skills and knowledge to deal with the new type of contracting arrangements that we have.

This is one of the reasons that contracting is on GAO's high-risk list. So the workforce is clearly a subset of this challenge. I might also note that in the 15 areas that I noted that were systemic challenges, which, if you would like, I would be happy to provide for the record, one of which is the workforce issue, that we need to do an analysis of how many people do we need, with what type of skills and knowledge, because it is as much a qualitative factor as it is a quantitative factor that we have to address, I believe.[1]

Senator COLLINS. Thank you.

Chairman LIEBERMAN. Thanks. Senator McCaskill.

Senator MCCASKILL. We had a discussion in our markup about the single audits that are done by all the States, and when we were doing the single audit every year, it always struck me that a lot of what we found in the single audit would have been of more value to Congress than it would have been to people at the State level because we were uncovering problems in the systems of these Federal programs.

I am curious if you have ever considered trying to look at all of the 50 single audits that are done on an annual basis and try to cull out some commonality among all the States because I think if you found the same kind of things in a dozen or more States, that would be a real help to us in terms of looking at those programs and how they are actually being administered in terms of the Federal dollars at the State level.

Mr. WALKER. Well, Senator McCaskill, as you know, the single audit reports go to the Executive Branch, normally the Inspectors General. In fact, one of the things that we are trying to do is we are trying to work with them more to try to benefit from the knowledge that each of us gains so that we can end up not just using it within our respective agencies but also share it with the Congress and others as appropriate.

One of the provisions that we are seeking potential action on is to create an intergovernmental accountability forum similar to the Joint Financial Management Improvement Program. But I think that is a good idea, and let me see if I can take that back as part of our coordination efforts with the IGs and see what we might be able to do there. I am going to be addressing all the IGs here within the next month or two, and I think that is an item that I can end up putting on the agenda.

Senator MCCASKILL. I know that I would be very interested in problems that were found. And, frankly, I think there are a lot of Members of Congress that may not be aware of the tool of the single audit. And it is a way that if they are curious about how some of the Federal programs in their own States—I know that there is maybe even some duplication that is out there because in Congress we say, well, let's have people audited. They do not realize that there is a mechanism right now where these State auditors, or whatever they are called in their various States, can actually look at what is going on in their State through the mechanism of the single audit. I would have welcomed a suggestion from one of the Senators of Missouri as to things that they would like to be in-

[1] GAO response to Senator Collins appears in the Appendix on page 73.

cluded in the single audit along with the requirements that we had in terms of single audit programs we were looking at.

Mr. WALKER. Thank you.

Senator MCCASKILL. Thank you.

Chairman LIEBERMAN. Thanks, Senator McCaskill. Senator Voinovich.

Senator VOINOVICH. Thank you. A couple of things.

Has the GAO done a study on the issue of executive appointments requiring confirmation by the Senate?

Mr. WALKER. I think we have done some prior work on that, Senator, but I would have to go back and look for sure as to when we did it. May I provide that for the record?[1]

Senator VOINOVICH. Yes. I know this was a hot issue 2 or 3 years ago, and Senator McConnell and Senator Reid were working on it, and all of a sudden it evaporated. I do not know why.

Mr. WALKER. We have done some work, and let me, if I can, put on the table another concept for you to think about. I gave you one concept. Another concept is if you have something like a chief management official, then there could be a layer below that—such as chief human capital officer, chief financial officer, chief information officer. One of the things that the Senate may want to consider is if you have statutory qualification requirements that people have to meet for these positions because they are not policy jobs, they are more operational jobs, the possibility of having an advance notification requirement to the Senate that says, "I plan to appoint X person to a PA job for this position, I believe they meet these statutory qualification requirements," without necessarily requiring Senate confirmation, in other words, make them PA rather than PAS. You know as well as I do that there are a lot of ways that Senators can end up making things happen or not happen other than just through the confirmation process. I think that is something that needs to be thought about as well.

Senator VOINOVICH. OK. The last one is a hot potato here, and that is the TSA. We are in the midst of a big controversy over whether or not we should put TSA back under Title 5. As you know, we gave TSA unique flexibility when they were created, the idea being that they had to stand up about 55,000 people. One of the things that TSA has done with its flexibility is establish a pay-for-performance system. I looked into all of the other benefits provided to screeners. They get all the benefits of the Federal employees, including TSP and FERS. Have you looked at what TSA is doing and how that system is working? It is the largest example of pay for performance, I believe, that we have in the Federal Government today. Have you folks looked at that?

Mr. WALKER. To my knowledge, we have not. But I will go back—I think that is a good suggestion, if we have not, to look at that. I will provide something for the record as to whether or not we have, and if not, maybe work with you on something there.

Senator VOINOVICH. I have been going out and talking to some of the screeners, and they can belong to the union. A union can represent them on grievances that come up. There are a couple of suggestions on giving them statutory authority to go to the Merit

[1] GAO response to Senator Voinovich appears in the Appendix on page 69.

Board and the OSC. They have informal groups in local airports that represent employees.

The creation of workforce flexibilities for TSA was not one of these things that we rushed into, and I did not want to rush into it because of the fact that the unions were concerned about it. One of the biggest mistakes we made is that we should have had binding arbitration at the end of the negotiations between the union and the departments in terms of some of those rules and regulations. There is still heartburn about it. But at least there would have been finality to it. What I am worried about is if the President vetoes this bill, we are going to lose everything that we have worked so hard on to get into the 9/11 bill that we spent time on.

If you could look at TSA's personnel system, I would appreciate it.

Mr. WALKER. I will look at that and get back to you. If I can, Mr. Chairman.

Chairman LIEBERMAN. Please

Mr. WALKER. Let me tell you a lesson that I think that we have learned in our efforts. You obviously have a concern with human capital reforms throughout government, at TSA, GAO, and elsewhere.

First, I believe very strongly that there is a need to have reasonable flexibility in this area with regard to classification and pay. But you need to have adequate safeguards to help ensure consistency and prevent abuse. In our case, we have statutory criteria that the Comptroller General is required to consider in connection with annual pay adjustments and things of that nature, so it provides reasonable flexibility, but it also provides things that have to be considered that ultimately I am held accountable as to whether or not I adequately and reasonably did that or not.

There are three lessons that we learned in moving to pay banding and pay for performance.

First, you really have to be careful in determining how many pay bands you should set up based upon the difference in the roles and responsibilities that your people have. In our case, we should have set up an additional one back in 1989, and we did not.

Second, you should not assume that the GS system is reflective of market. In some cases, it is under market; in some cases, it is over market. You need to do market-based compensation studies.

Third, you need to make sure you have a modern, effective, credible, and preferably validated performance appraisal systems to evaluate people as a basis to make informed decisions. And we need to recognize that government is very different than the private sector. Everything cannot be at risk; that if people perform at "meets expectations" or better, if they are paid within market levels, they ought to get some across-the-board adjustment, but that the pay-for-performance should do two things: One, if you are not meeting expectations you do not get any raise; two, but if you do meet expectations and you are paid within market, you get something, but on top of that you should get more based upon how you do relative to your peer group, with the truly top performers getting the most and people that are doing a good job but not as well not getting as much.

That is a hybrid system, and it is one that I think can work in government, and it is one that an overwhelming majority of our employees are benefited by, but not all. And you tend to hear from the squeaky wheels.

Chairman LIEBERMAN. Thanks a lot. It has been a refreshing morning. Always great to hear you. You have got tremendous knowledge and a lot of fresh ideas.

We are going to try to go from here. First, we wanted to send you a message of appreciation from the Committee. And, second, we hope to do anything we can to support your work, including most directly in the appropriations process this year.

I thank the Members of the Committee who came out. I thank you for your time. The hearing is adjourned.

[Whereupon, at 11:04 a.m., the Committee was adjourned.]

APPENDIX

United States Government Accountability Office

GAO

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

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

GAO-07-644T

March 21, 2007

GAO
Accountability · Integrity · Reliability
Highlights

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

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Supporting the Congress through Oversight, Insight, and Foresight

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.

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.

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 110th 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.

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

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.

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.[1] 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.[2] 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.

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

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

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.[3] 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

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

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.

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.[4] 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,[5] 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,[6] 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

[4]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).

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

[6]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.

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.[7] 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

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

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.

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

continuing, focused attention essential to successfully completing multiyear, high-risk, business transformations.[8] 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.[9] 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

[8]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).

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

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.[10] This initiative is attempting to develop a key national indicator system for the United States.[11] 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

[10]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).

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

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

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.[12] 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

[12]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).

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,[13] 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

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

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

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.[14] Our fiscal year 2008 budget request seeks the resources necessary to allow us to rebuild and

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

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;

- 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

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.

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.

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

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

Targets for Near-Term Oversight
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
Policies and Programs That Are in Need of Fundamental Reform and Reengineering
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

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, FFMIA, 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).

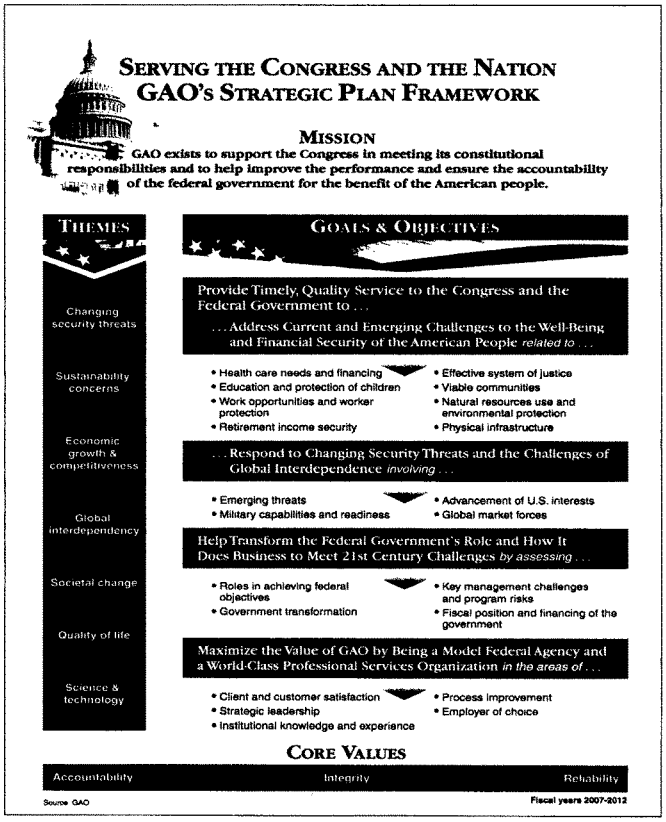
Appendix II: GAO's 2007 High-Risk List

2007 High-Risk Areas
Addressing Challenges in Broad-Based Transformations
• Strategic Human Capital Management*
• Managing Federal Real Property*
• 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*
• 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* **(New)**
• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests* **(New)**
• Transforming Federal Oversight of Food Safety* **(New)**
Managing Federal Contracting More Effectively
• DOD Contract Management
• DOE Contract Management
• NASA Contract 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
• Modernizing Federal Disability Programs*
• Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program
• Medicare Program*
• Medicaid Program*
• National Flood Insurance Program*

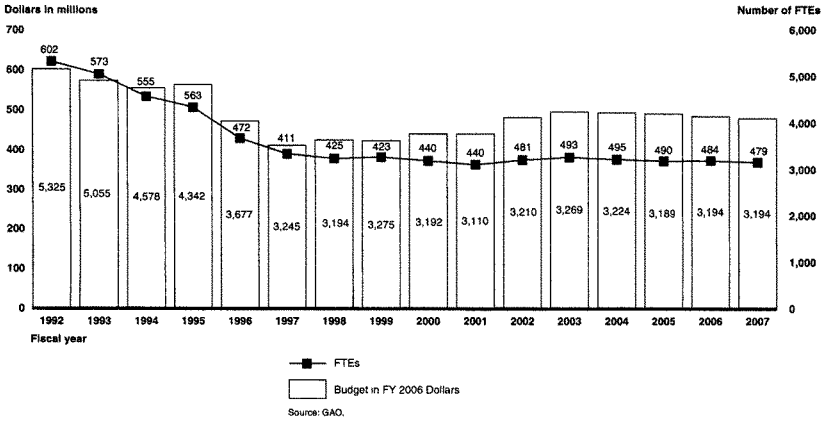
Source: GAO

*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



Source: GAO.

Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

March 1, 2007

The Honorable John D. Rockefeller IV
Chairman, Select Committee on Intelligence
United States Senate

The Honorable Christopher S. Bond
Vice Chairman, Select Committee on Intelligence
United States Senate

This letter responds to your request for comments on S. 82, the "Intelligence Community Audit Act of 2007," introduced on January 4, 2007. If enacted, S. 82 would amend title 31 of the United States Code to reaffirm the U.S. Government Accountability Office's (GAO) authority to audit and evaluate financial transactions, programs, and activities of the Intelligence Community. This bill would also provide that GAO may conduct an audit or evaluation of intelligence sources and methods or covert actions only upon the request of the intelligence committees or congressional majority or minority leaders. GAO supports this bill and believes that if it is enacted, GAO would be better positioned to assist the Congress with its oversight functions relating to the Intelligence Community.

More specifically, this bill would reaffirm GAO's authority, under existing statutory provisions, to audit and evaluate financial transactions, programs, and activities of elements of the Intelligence Community, and to access records necessary for such audits and evaluations. As discussed below, GAO has clear audit and access authority with respect to elements of the Intelligence Community,[1] subject to a few limited exceptions. However, over the years, the Department of Justice (DOJ) has questioned GAO's authority in this area. In addition, the executive branch has not provided GAO the level of cooperation needed to conduct meaningful reviews of elements of the Intelligence Community. This issue has taken on new prominence and is of greater concern in the post-9/11 context, especially since the Director of National Intelligence has been assigned responsibilities that extend well beyond traditional intelligence activities. As discussed below, the implications of executive branch resistance to GAO's work in the intelligence area were highlighted when the Office of the Director of National Intelligence (ODNI) refused to comment on GAO's March 2006 report involving the government's information sharing efforts, maintaining that DOJ had "previously advised" that "the review of intelligence

[1]The Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458), which established a Director of National Intelligence, did not alter GAO's authority to audit and evaluate financial transactions, programs, and activities of elements of the Intelligence Community.

activities is beyond the GAO's purview." We strongly disagree with this view. As explained in more detail in this response, GAO has broad statutory authority to audit and evaluate agency financial transactions, programs, and activities, and these authorities apply to reviews of elements of the Intelligence Community.[2]

Importantly, the bill, in reaffirming GAO's authorities, recognizes that GAO may conduct reviews, requested by relevant committees of jurisdiction, of matters relating to the management and administration of elements of the Intelligence Community in areas such as strategic planning, financial management, information technology, human capital, knowledge management, information sharing, and change management. In recognition of the heightened level of sensitivity of audits and evaluations relating to intelligence sources and methods or covert actions, this bill would restrict GAO audits and evaluations of intelligence sources and methods or covert actions to those requested by the intelligence committees or congressional majority or minority leaders. In addition, in the context of these reviews relating to intelligence sources and methods or covert actions, the bill contains several information security related provisions. The bill includes, for example, provisions (1) limiting GAO's reporting of results of such audits and evaluations to only the original requester, the Director of National Intelligence, and the head of the relevant element of the Intelligence Community and (2) requiring GAO to establish, after consultation with the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives, procedures to protect such classified and other sensitive information from unauthorized disclosure.

Your request for our comments on S. 82 asked us to address three specific questions relating to GAO's interaction with the Intelligence Community. For ease of reference, we deal with the three questions in the following order: (1) GAO's authority, under present law, to audit and evaluate the financial transactions, programs, and activities of the Intelligence Community; (2) the history of the Intelligence Community's interaction with GAO; and (3) the benefits or drawbacks, if any, of obtaining GAO assistance in examining and reporting on the financial transactions, programs, and activities of the Intelligence Community.

1. GAO's authority, under present law, to audit and evaluate the financial transactions, programs, and activities of the Intelligence Community.

GAO has broad statutory authority under title 31 of the United States Code to evaluate agency programs and investigate matters related to the receipt, disbursement, and use of public money. See 31 U.S.C. §§ 712 and 717. GAO also has authority, under section 3524(a) of title 31, to audit unvouchered expenditures (i.e., those accounted for only on the approval, authorization, or certificate of an executive branch official) to decide if the expenditures were authorized by law and made. An

[2] DOJ's position and our analysis is set forth in more detail in GAO, *Information Sharing: The Federal Government Needs to Establish Policies and Processes for Sharing Terrorism and Sensitive but Unclassified Information*, GAO-06-385 (Washington, D.C.: Mar. 17, 2006).

exemption from GAO's authority to audit unvouchered expenditures, in section 3524(c), provides that the President may exempt financial transactions about sensitive foreign intelligence or foreign counterintelligence activities or sensitive law enforcement investigations if an audit would expose the identifying details of an active investigation or endanger investigative or domestic intelligence sources involved in the investigation. In addition, under section 3524(d)(2), GAO's authority with respect to unvouchered expenditures "does not affect [CIA's] authority under section 8(b) of the Central Intelligence Act of 1949 (50 U.S.C. § 403j(b))...."[3] These provisions preclude GAO from auditing Central Intelligence Agency (CIA) expenditures of a confidential, extraordinary, or emergency nature that are accounted for solely on the certificate of the CIA Director.

To carry out its audit and evaluation authorities, GAO has a broad right of access to agency records. Under 31 U.S.C. § 716, federal agencies are required to provide GAO with information about their duties, powers, activities, organization, and financial transactions. In concert with our statutory audit and evaluation authority, this provision gives GAO a broad right of access to agency records, including records of the Intelligence Community. GAO's access statute authorizes enforcement of GAO's access rights through a series of steps specified in the statute, including the filing of a civil action to compel production of records in federal district court. However, GAO may not bring an action to enforce its statutory right of access to a record relating to activities the President designates as foreign intelligence or counterintelligence activities. See 31 U.S.C. § 716(d)(1)(A).

While GAO has authority to perform audits and evaluations of elements of the Intelligence Community, DOJ has, for many years, taken a contrary view. In a 1988 Office of Legal Counsel (OLC) opinion addressing GAO's authority to review intelligence activities in the context of foreign policy, OLC asserted that by enacting the current intelligence oversight framework, codified at 50 U.S.C. § 413, the Congress intended the intelligence committees to maintain exclusive oversight with respect to intelligence activities, foreclosing reviews by GAO.[4] Although section 413 codified practices to simplify the congressional intelligence oversight process, we strongly disagree with DOJ's view that the intelligence oversight framework statutorily precludes GAO reviews in the intelligence arena.[5] Neither section 413 nor

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[3] Section 403j(b) of title 50 provides that "[t]he sums made available to the Agency [CIA] may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

[4] 12 Op. Off. Legal Counsel 171 (1988).

[5] The logic behind DOJ's argument, that section 413 implicitly repeals GAO's audit and access authority to conduct reviews of elements of the Intelligence Community, rests upon a statutory interpretation that is disfavored by the courts. It is a cardinal rule of federal statutory construction that repeals by implication are not favored. Where there are two acts upon the same subject, effect should be given to both if possible. (See *Posadas v. National City Bank*, 296 U.S. 497, 503 (1936)). Only where two statutes cannot be harmonized by reasonable interpretation, do they conflict and one must prevail. (See, *Radzanower v. Touche Ross*, 426 U.S. 148, 154 (1976) *citing United States v. United*

its legislative history states that the procedures established therein constitute the exclusive mechanism for congressional oversight of intelligence activities. As explained above, GAO's statutory authorities permit us to evaluate a wide range of activities in the Intelligence Community, subject to a few limited statutory exceptions.[6]

The reaffirmation provisions in the bill should help to ensure that GAO's audit and access authorities are not misconstrued in the future. One particularly helpful provision in this regard is the proposed new section 3523a(e) of title 31, specifying that no "provision of law shall be construed as restricting or limiting the authority of the Comptroller General to audit and evaluate, or obtain access to the records of, elements of the intelligence community absent specific statutory language restricting or limiting such audits, evaluations, or access to records." This provision makes clear that, unless otherwise specified by law, GAO maintains the right to evaluate and access the records of elements of the Intelligence Community pursuant to its authorities in title 31 of the United States Code. A more detailed description of GAO's key statutory authorities is provided in enclosure I to this letter.

2. History of the Intelligence Community's interaction with GAO.

Historically, GAO's work relating to the Intelligence Community has been limited.[7] In July 2001, GAO provided detailed testimony on our long-standing problems in attempting to perform reviews at the CIA.[8] As we testified, in principle, GAO has broad authority to evaluate CIA programs. In practice, however, the CIA's level of cooperation has limited our ability to evaluate CIA programs. We have not actively audited the CIA since the early 1960s, when we discontinued such work because the CIA was not providing us with sufficient access to information to effectively perform our mission. The issue has arisen since then from time to time as our work has

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Continental Tuna Corp., 425 U.S. 164, 168 (1976). These two statutory frameworks clearly can be read in concert with each other.

[6] DOJ's position and our analysis is set forth in more detail in GAO-06-385.

[7] However, GAO has performed some reviews of particular programs or activities of intelligence agencies. For example, we have conducted several studies involving intelligence agency reorganization, combating terrorism, analyses of national intelligence estimates, managing sensitive information, homeland security, and computer security that involved certain portions of the Intelligence Community. See, for example, *Defense Intelligence: Efforts to Reorganize Defense Intelligence and Support Military Operations*, GAO/C-NSIAD-95-13 (Washington, D.C.: June 12, 1995); *Foreign Missile Threats: Analytic Soundness of Certain National Intelligence Estimates*, GAO/C-NSIAD-96-14 (Washington, D.C.: Aug. 30, 1996); *Foreign Missile Threats: Analytic Soundness of Certain National Intelligence Estimates*, GAO-96-225 (Washington, D.C.: Aug. 30, 1996); *Foreign Missile Threats: Analytic Soundness of National Intelligence Estimate 95-19*, GAO/T-NSIAD-97-53 (Washington, D.C.: Dec. 4, 1996); *Combating Terrorism: More Interagency Coordination Needed to Reduce Risks in Overseas Arrests*, GAO/C-NSIAD-00-2 (Washington, D.C.: June 8, 2000); *Managing Sensitive Information: DOD Can More Effectively Reduce the Risk of Classification Errors*, GAO-06-706 (Washington, D.C.: June 30, 2006); *Information Technology: FBI Needs an Enterprise Architecture to Guide Its Modernization Activities*, GAO-03-959 (Washington, D.C.: Sept. 25, 2003); and *Information Technology: Foundational Steps Being Taken to Make Needed FBI Systems Modernization Management Improvements*, GAO-04-842 (Washington, D.C.: Sept. 10, 2004).

[8] GAO, *Central Intelligence Agency: Observations on GAO Access to Information on CIA Programs and Activities*, GAO-01-975T (Washington, D.C.: July 18, 2001).

required some level of access to CIA programs and information. However, given a lack of requests from the Congress, and in particular the intelligence committees, for specific work at the CIA and our limited resources, we have made a conscious decision not to further pursue the issue. Today, our dealings with the CIA are mostly limited to requesting information that relates either to governmentwide reviews or analyses of threats to U.S. national security on which the CIA might have some information. The CIA either provides us with the requested information, provides the information with some restrictions, or does not provide the information at all. In general, we are most successful at getting access to CIA information when we request threat assessments and the CIA does not perceive our audits as oversight of its activities.

In the post 9/11 context, GAO and congressional oversight of the Intelligence Community has taken on new prominence. The 9/11 Commission Report documented failures of information sharing among agencies prior to the events of 9/11, and stressed the importance of intelligence analysis that draws on all relevant sources of information. Traditionally, there have been legal and policy barriers that prohibited the sharing of law enforcement and intelligence information, but in the aftermath of 9/11, some of these restrictions have been altered. As part of the effort to improve information sharing, the Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458) required the President to establish an Information Sharing Environment (ISE) and to designate a Program Manager to plan for and oversee its implementation. The ISE is to facilitate the sharing of "terrorism information," a broadly defined term that encompasses information extending well beyond the boundaries of what is traditionally considered intelligence information and activities. In December 2005 the President charged ODNI[9] (which houses the Program Manager for the ISE) with responsibility for overseeing all aspects of information sharing within the federal government and between the federal government and nonfederal governments and entities, including areas of information sharing clearly outside the purview of the Intelligence Community—notably, procedures for sharing sensitive but unclassified information unrelated to homeland security, law enforcement, and terrorism.

In March of 2006, GAO issued a report on information sharing efforts in the federal government.[10] We requested comments on a draft of this report from ODNI, in light of the pivotal role that the office has been given regarding information sharing efforts. ODNI, however, declined to comment on our draft report, stating that the review of intelligence activities is beyond GAO's purview. We strongly disagreed with that assertion in our report, and also emphasized that our report did not involve an evaluation of the conduct of actual intelligence activities. We expressed concern in

[9] Since 9/11, the passage of the Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458) transferred many functions of the Director of Central Intelligence—including the Community Management Staff, security oversight (which also affects information sharing), and the National Intelligence Council—to ODNI.
[10] See GAO-06-385.

the report, and in a subsequent letter to the Director of National Intelligence,[11] that in this case and in others the executive branch has appeared to take an overly broad interpretation of what constitutes "intelligence activities."[12] As we advised the Director of National Intelligence, this broad interpretation can have the practical effect of shielding homeland security missions and other critical executive branch activities from GAO and key congressional committee oversight.

In addition to the information sharing context, there are other functions in which GAO's work would require interaction with ODNI. These functions include, for example, human capital management, such as the security clearance process; areas identified in GAO's High-Risk Series,[13] such as bringing a number of different agencies under one organization; and the concept of a Chief Management Officer (CMO).

ODNI has started to engage in discussions with us. GAO staff recently held a meeting with the Director and Deputy Director for Legislative Affairs in ODNI's Office of Legislative Affairs on a wide range of matters. For example, ODNI has responded to GAO's requests for briefings and meetings, and provided GAO with finished intelligence products and similar types of information—with some exceptions concerning the National Counterterrorism Center.

Since 9/11, various studies and reports have been issued, such as the Silberman-Robb Commission report,[14] that highlight the many challenges and problems the Intelligence Community faces and the need for major business transformation throughout the related entities. These reports and studies contain recommendations and suggestions for change, such as improving information sharing and management of the Intelligence Community, that are worthy of follow-up and oversight. GAO is prepared to engage constructively with the Intelligence Community in its overall business transformation effort. We have significant knowledge and experience that can be of benefit to the Intelligence Community in connection with a broad range of transformation issues. We are also prepared to help get the objective and fact-based information the committee needs for its oversight role. One possible approach could initially involve work with the individual intelligence agencies to examine, at a fairly high level, their business strategies, plans, processes, procedures, alignments, and systems (see enc. III). An alternative approach could involve doing one or more targeted horizontal and functional reviews of key acquisition and contract management, human capital, and/or knowledge sharing issues within the Intelligence Community, as outlined in enclosure IV.

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[11] See the April 27, 2006, letter from Comptroller General David M. Walker to then Director of National Intelligence John D. Negroponte in enc. II to this letter.
[12] See, for example, GAO, *Homeland Security: Efforts to Improve Information Sharing Need to Be Strengthened*, GAO-03-760 (Washington D.C.: Aug. 27, 2003).
[13] GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).
[14] See The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, *Report to the President of the United States* (Washington, D.C.: Mar. 31, 2005).

3. The benefits or drawbacks, if any, of obtaining GAO assistance in examining and reporting on the financial transactions, programs, and activities of the Intelligence Community.

Finally, you asked us to address the benefits or drawbacks, if any, of obtaining the assistance of GAO, whether on the initiative of the Intelligence Community or either the House or Senate intelligence committee, in examining and reporting on the financial transactions, programs, and activities of the Intelligence Community. The benefits that GAO can provide the committee, the Congress, and the Intelligence Community would be significant.

First, GAO efficiently uses its resources to meet the needs of the Congress and exercises the independence and objectivity necessary to ensure that its work and products not only conform to applicable professional standards, but that its work is professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced.

Second, GAO has the capability to form multidisciplinary teams, including accountants, analysts, program evaluators, cost analysts, attorneys, information technology specialists, economists, methodologists, engineers, and expert consultants to provide a total picture on a given issue. These multidisciplinary teams have experience in examining many other government agencies and programs, such as strategic planning, organizational alignment, human capital management, financial management systems, acquisition and contract management, information technology architectures and systems, knowledge management, and specific program and activity knowledge across most key government functions. In addition, GAO has long-standing and ongoing work in the national security, homeland security, and international affairs issue areas that give it a contextual sophistication for reviewing Intelligence Community issues. Each year, GAO's work results in major improvements and efficiencies in government operations and billions of dollars in financial benefits.

Third, GAO has a broad perspective through performing extensive domestic and overseas fieldwork across the entire spectrum of federal departments and agencies, providing an in-depth, "end-to-end" perspective on crosscutting government programs and activities, such as multiple agencies' activities abroad and the coordination challenges they face.

Fourth, GAO operates with agreed-upon rules of engagement and agency protocols, including formal entrance and exit conferences with agency officials. For example, at an exit conference, GAO provides the agency with a statement of fact to confirm that the critical facts and key information used to formulate GAO's analyses and findings are current, correct, and complete. Agency issues and additional information can be incorporated into GAO's analysis and observations, and agency comments on draft reports are included in GAO products so clients can see the agency's views.

Fifth, GAO provides its clients with the information they need—when they need it. GAO uses a wide variety of products to meet its clients' information needs and time frames, including briefings, congressional testimony, reports, and legal opinions.

Finally, unlike individual inspectors general, GAO can reach across multiple agencies governmentwide in crosscutting reviews to examine and identify challenges and ways to improve Intelligence Community management and business processes and results (much of which would not require getting into sources and methods). For example, GAO can review the following types of transactions, programs, and activities:

- Intelligence Community transformation initiatives, metrics, and results.
- Collection management, processing, exploitation, and dissemination.
- Budget scrubs, "quick looks,"[15] and drill-down acquisition reviews of programs in the National Intelligence Program and Military Intelligence Program.

Others have suggested some concerns related to GAO examining and reporting on the financial transactions, programs, and activities of the Intelligence Community. These concerns include (1) a limited number of personnel at GAO with proper sensitive compartmented information (SCI) access; (2) public or wide availability of GAO reports; (3) the lack of GAO facilities approved to store SCI material; (4) the lack of insight into unique Intelligence Community authorities, policies, and practices; and (5) potential duplication or overlap of GAO work with that of inspectors general and other audit organizations.

We believe we can effectively address these potential concerns. First, GAO already has a number of personnel with SCI access, especially within our multidisciplinary teams, and GAO would work with the Intelligence Community to expand the number of analysts with the appropriate access. GAO has already embarked on that process. Second, GAO tightly controls and limits dissemination of the results of its classified work,[16] both written and oral, which are tailored to the needs of its client (e.g., intelligence or other committees of jurisdiction and the intelligence agencies' leadership). I am prepared to consider further restrictions, if necessary, on the dissemination of GAO's work results relating to the Intelligence Community. Third, while GAO headquarters currently does not have facilities approved to store SCI material, GAO personnel can conduct their reviews in agency-provided space. GAO currently is assessing the need to store SCI material at its headquarters. In addition, GAO's Dayton Office has access to facilities approved to process and store SCI material at Wright-Patterson Air Force Base, Ohio. Fourth, regarding a need for insight into unique Intelligence Community authorities, policies, and practices, GAO's work overall is deeply rooted in an understanding of authorities and policies when examining programs and activities. Although we have not formally been conducting reviews in the Intelligence Community, we regularly engage in discussions with

[15] A GAO "quick look" assessment is a "temperature check" on a program's development progress and risk using a knowledge-based approach that reflects best practices of successful programs.
[16] GAO is required by statute to maintain the same level of confidentiality for a record as is required of the head of the agency from which it is obtained.

officials, many of whom have dual-hatted responsibilities. Finally, inspectors general play a valuable and important role and we recognize that the Intelligence Community already has some degree of oversight through existing organizations. However, GAO already coordinates with inspectors general and other audit organizations to avoid overlap and duplication when reviewing other agencies' programs and activities and would continue to do so for its work in the Intelligence Community.

I would welcome the opportunity to meet with you to discuss a possible framework that would allow GAO to be more helpful to your committee and the Congress to better provide oversight of the financial transactions, programs, and activities of the Intelligence Community. As I have stated before, the nation has a major stake in the success of the Intelligence Community's transformation initiatives, and I believe GAO can provide a wealth of expertise and experience in the most critical areas. I am also sending this letter to Senators Akaka and Lautenberg, sponsors of S. 82, and providing a copy to Director McConnell.

Sincerely yours,

David M. Walker
Comptroller General
of the United States

Enclosures - 4

cc: The Honorable Daniel K. Akaka
The Honorable Frank R. Lautenberg
The Honorable J.M. McConnell, Director
Office of the Director of National Intelligence

Key GAO Audit and Access Authorities

GAO's Audit and Evaluation Authority

GAO has broad statutory authority under title 31 of the United States Code to audit and evaluate agency[1] financial transactions, programs, and activities. Although GAO reviews in the intelligence area are subject to certain limited restrictions, as discussed below, audits and evaluations of financial transactions, programs, and activities of the Intelligence Community are clearly within the scope of GAO's statutory authority. Under 31 U.S.C. § 712, GAO has authority to investigate all matters related to the receipt, disbursement, and use of public money. Section 717 of title 31, U.S.C., authorizes GAO to evaluate the results of programs and activities of federal agencies, on GAO's own initiative or when requested by either House of Congress or a committee of jurisdiction. Section 3523(a) of title 31 authorizes GAO to audit the financial transactions of each agency, except as specifically provided by law.

GAO also has authority, under section 3524(a) of title 31, to audit unvouchered expenditures (i.e., those accounted for solely on the certificate of an executive branch official) to decide if the expenditures were authorized by law and made. An exemption from GAO's authority to audit unvouchered expenditures, in section 3524(c), provides that the President may exempt financial transactions about sensitive foreign intelligence or foreign counterintelligence activities or sensitive law enforcement investigations if an audit would expose the identifying details of an active investigation or endanger investigative or domestic intelligence sources involved in the investigation. In addition, under section 3524(d)(2), GAO's authority with respect to unvouchered expenditures "does not affect [CIA's] authority under section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. § 403j(b))...."[2] These provisions preclude GAO from auditing CIA expenditures of a confidential, extraordinary, or emergency nature that are accounted for solely on the certificate of the CIA Director.

GAO's Access-to-Records Authority

To carry out these audit and evaluation authorities, GAO has a broad statutory right of access to agency records. Under 31 U.S.C. § 716(a), federal agencies are required to provide GAO with information about their duties, powers, activities, organization, and financial transactions. In concert with our statutory audit and evaluation

[1] The term "agency" is defined in several different GAO provisions in title 31, and none of these definitions exclude elements of the Intelligence Community categorically or individually. Specific exclusions from the definition of the term "agency" include, for example, a section 701 exclusion of the legislative branch and the Supreme Court, and a section 717 exclusion of mixed-ownership Government corporations.

[2] Section 403j(b) of title 50 provides that "[t]he sums made available to the Agency [CIA] may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

authority, this provision gives GAO an unrestricted right of access to agency records, including records of the Intelligence Community. When an agency does not make a record available to GAO within a reasonable period of time, GAO may issue a written request ("demand letter") to the agency head specifying the record needed and the authority for accessing the record. Should the agency fail to release the record to GAO, GAO has the authority to enforce its requests for records by filing a civil action to compel production of records in federal district court.

Section 716 provides for enforcement of GAO's right of access to records, setting forth a series of steps, including the filing of a civil action to compel production of records in federal district court. A limitation in section 716, while not restricting GAO's basic statutory right of access, acts to limit GAO's ability to compel production of particular records through a court action. More specifically, under section 716(d)(1), GAO is precluded from bringing a civil action to compel the production of a record if

(1) the record relates to activities the President has designated as foreign intelligence or counterintelligence activities;
(2) the record is specifically exempt from disclosure to GAO by statute; or
(3) the President or the Director of the Office of Management and Budget certifies to the Congress and GAO that a record could be withheld under specified FOIA exemptions[3] and that disclosure reasonably could be expected to impair substantially the operations of the government.

[3] The two specified FOIA exemptions at 5 U.S.C. §§ 552(b)(5) or (7) relate to deliberative process and law enforcement information, respectively.

Comptroller General's April 27, 2006, Letter to the Director of National Intelligence

Comptroller General of the United States

United States Government Accountability Office
Washington, DC 20548

April 27, 2006

The Honorable John D. Negroponte
Director of National Intelligence
Office of the Director of National Intelligence
Washington, DC 20511

Dear Director Negroponte:

As we noted in our recent report on information sharing efforts in the federal government,[1] we were disappointed by your office's decision not to comment on our report. We placed information sharing on GAO's high-risk list because of its critical importance to our nation's security, and because federal agencies have not done an adequate job of sharing information in the past. The Congress has significant interest in this issue and has relied on GAO to a great extent to perform work on its behalf. As you know, the President has tasked your office with key coordinating roles in furtherance of the information sharing effort, including assisting in the standardization of procedures for sensitive but unclassified information.

Your office's letter declining to comment on our report stated that the review of intelligence activities is beyond GAO's purview. We strongly disagree with this assertion. There has been a longstanding disagreement between GAO and the executive branch, primarily the Department of Justice, over the scope of GAO's authority to perform reviews relating to "intelligence activities." As explained in our report, we disagree with the Justice Department's position and believe that GAO's statutory audit and access authorities permit us to evaluate a wide range of activities in the intelligence community, subject to a few limited statutory exceptions.[2] At the same time, we recognize that we can only perform meaningful reviews of intelligence activities with the cooperation of the intelligence community. Given this, and the sensitivities surrounding intelligence oversight, as a matter of policy we have done work on traditional "intelligence activities" only at the request of the congressional intelligence committees. Requests for reviews of such intelligence activities have been infrequent.[3]

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[1] GAO, *Information Sharing: The Federal Government Needs to Establish Policies and Processes for Sharing Terrorism and Sensitive But Unclassified Information*, GAO-06-385 (Washington D.C.: Mar. 17, 2006).

[2] These include narrow statutory limitations on our audits of certain "unvouchered" accounts, 31 U.S.C. § 3524, and on our authority to compel access to certain foreign intelligence and counterintelligence information, 31 U.S.C. § 716(d)(1)(A).

[3] We have done a number of reviews looking at programs of the intelligence community that did not involve "intelligence activities." For example, we have performed reviews looking at the computer modernization efforts of the Federal Bureau of Investigation.

Comptroller General's April 27, 2006, Letter to the Director of National Intelligence

Importantly, our recent report for key homeland security oversight committees did not involve the evaluation of the conduct of actual intelligence activities. Rather, our review addressed the procedures in place to facilitate the sharing of a broad range of information across all levels of government, including sensitive but unclassified information. In this case and in others, the executive branch has appeared to adopt an overly broad interpretation of what constitutes "intelligence activities." This broad interpretation can have the practical effect of shielding homeland security missions and other critical executive branch activities from GAO and key congressional committee oversight. In our view, this is both inappropriate and not in Congress' or the nation's interest.

In addition to helping the Congress in its oversight and other activities, I believe that GAO could be helpful to your office's own transformation efforts as you seek to fulfill the many statutory missions that have been assigned to you. GAO has a wealth of expertise and a broad government-wide perspective in connection with a range of key areas such as strategic planning, financial management, information technology, human capital, knowledge management, and change management. My hope is that we will work together to establish a cooperative and productive relationship in the future.

Sincerely yours,

David M. Walker
Comptroller General
of the United States

Page 2

Business Transformation

Dramatic changes to the overall security environment and constrained budgets have produced increasing demands on the Intelligence Community to undertake a fundamental transformation to enhance accountability and effectiveness by strengthening management and creating synergies with one another. The objectives of GAO's work would be as follows:

- Examine how the Intelligence Community can apply key management principles, processes, and practices to help transform its business operations.
- Examine the extent to which individual intelligence agencies have an adequate management infrastructure (including strategic planning, acquisition, financial management, information technology management, human capital management, and knowledge sharing) that focuses on achieving results and ensuring accountability.
- Identify synergies across the agencies and opportunities to achieve improved efficiency and effectiveness.

A self-certification approach has been used successfully by legislative branch agencies to address management improvement and streamlining in response to the mandate contained in House Report 108-577 that accompanied the Legislative Branch Appropriations Act for Fiscal Year 2005.

- A diagnostic survey can be completed by the intelligence agencies to help them, the committee, and GAO diagnose opportunities to transform the organization, improve management of functional areas, and create synergies across agencies to achieve improved efficiency and effectiveness.
- The diagnostic survey, developed by GAO, is based on past work and best practices identified in transforming organizations and improving key management functions. The survey was built upon our past mandated work, including the development of a baseline budget review, practices for organizational transformations, and the general management reviews of selected agencies.
- As part of a constructive engagement, GAO could work with the committee and the intelligence agencies to design and administer the survey instrument, compile and organize agency responses, and identify improvement opportunities in key areas, including acquisition, human capital, and knowledge sharing.
- Based on the responses, and collaborating with the committee, GAO would identify individual agency and crosscutting improvement opportunities and areas where greater collaboration on management issues could strengthen performance. Again, in consultation with the committee, GAO would also identify targeted opportunities for additional detailed work at individual agencies and across the Intelligence Community.

Potential Targeted Review Areas

Acquisition Review Options

The Director of National Intelligence (DNI) has established a Senior Acquisition Executive (SAE) who is considering whether to do a GAO-like "quick look" report[1] to identify what is being acquired by the intelligence agencies and the status of the programs. The Silberman-Robb Commission report suggests a revamping of the Intelligence Community budget and oversight structure in terms of mission areas, including acquisition initiatives. To provide additional insight into specific programs, using GAO's criteria based on commercial best practices, GAO could

1. examine cost, schedule, and performance status and risks for specific acquisitions, such as the Future Imagery Architecture;
2. prepare a classified "quick look" report to identify a number of major acquisitions and their cost and schedule goals and program status and risks; and/or
3. determine whether the DNI has knowledge-based acquisition policies and effective management structures and decision processes for oversight and decision making on major acquisitions.

Human Capital Review Options

Recent studies highlight the major influx of new employees, gaps in skill sets and expertise, internal and external training and exposure issues, lack of a knowledge and skills inventory, and need for a longer term focus on research in the Intelligence Community. We have found that strategic human capital management must be the centerpiece of any serious change management initiative to transform the culture of government organizations. In light of the DNI's challenge to manage 15 separate intelligence agencies, GAO could assess selected agencies' human capital strategic planning efforts. GAO could

1. determine whether top-level leadership is involved in strategic planning for intelligence personnel and strategic plans for intelligence personnel are well aligned with the overall mission of the Intelligence Community or, at the very least, aligned with the mission of the respective agency, and whether the plans are results-oriented and based on data about the future intelligence workforce and
2. assess intelligence agencies' development and implementation of human capital strategic workforce plans and determine whether plans include analyses of gaps between existing and needed critical skills and competencies, and recruitment, retention, succession planning, and skills enhancement strategies to address identified gaps.

[1] A GAO "quick look" assessment is a "temperature check" on a program's development progress and risk using a knowledge-based approach that reflects best practices of successful programs. GAO's detailed reviews of individual systems normally provide for a fuller treatment of risk elements.

Potential Targeted Review Areas

Knowledge Sharing Review Options

One of the most pressing challenges in intelligence reform is improving knowledge sharing within and across the community. Addressing this "horizontal" challenge requires removing the specific management, technical, and cultural barriers that limit collaboration and competitive analyses. Numerous commissions, reports, and reviews of intelligence challenges highlight significant knowledge sharing problems, including over compartmentalization, lack of appropriate knowledge sharing systems, and poor collaboration among technical collectors and analysts. To support congressional oversight efforts GAO could

1. review Intelligence Community compartment management policies, procedures, and practices, and identify management tools for improving administration, control, review, and oversight of compartments to improve knowledge sharing across the community;
2. review Intelligence Community efforts to acquire and implement information systems to support knowledge sharing among Intelligence Community agencies and national centers supporting the DNI; and
3. identify the specific challenges that impede collaboration among technical collectors and subject matter analysts, and determine the key factors that can foster a more interdisciplinary and collaborative analytical community.

I. Has GAO studied the executive appointment process, specifically those appointments that require Senate Confirmation? (Voinovich)

GAO Response:
While we have not studied the executive appointment process at length, we have raised questions about the process, and have reviewed certain aspects of it. Most recently, I offered suggested areas for oversight for the 110th Congress, which included re-examining the presidential (political) appointment process.[1] I noted that the appointment process does not distinguish among the different types of responsibilities inherent in the appointed positions, nor does it require any particular set of qualifications, even though appointees may be responsible for non-policy related functions.

At Senator Voinovich's and Senator Akaka's request, we are now reviewing how to implement Chief Operating Officer (COO)/Chief Management Officer (CMO) positions in federal agencies. We have stated in the past that, for selected agencies, Congress may want to create a COO/CMO position, subject to Senate confirmation, to successfully address the major business transformation challenges facing such federal agencies. We have also discussed the use of statutorily required qualifications for the COO/CMO position, such as extensive private and public sector leadership and management experience. Articulating the role and responsibilities of the COO/CMO in statute helps to create unambiguous expectations for the position and underscores Congress' desire to follow a professional, nonpartisan approach in connection with these positions. Congress also set qualifications in statute when it created the positions of Chief Financial Officer (CFO) and Chief Information Officer (CIO) in federal departments and agencies. In creating a COO/CMO position, Congress might consider making certain subordinate positions, such as the CFO and CIO, not subject to Senate confirmation.

In response to your concerns that some political appointees in the executive branch lacked the requisite leadership and management skills and background to successfully address the challenges facing federal agencies, we have also suggested questions to assist the Senate in its constitutional role of confirming nominees.[2]

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

[2]GAO, *Confirmation of Political Appointees: Eliciting Nominees' Views on Leadership and Management Issues*, GAO/GGD-00-174 (Washington, D.C.: Aug. 11, 2000).

II. Provide for the record a list of the companies that GAO was compared to by Watson Wyatt as part of the compensation study. (Akaka)

GAO Response:
Importantly, the pay study was not conducted by comparing GAO to pre-selected specific outside organizations. Instead, as described below, Watson Wyatt linked "career stream benchmarks" provided by GAO with relevant market data surveys.

GAO developed career stream benchmarks for the occupational groups at each band level for which it requested salary data. The benchmarks contained an overview of the roles and responsibilities performed by all employees at that band as well as information about typical qualifications and required years of experience. After reviewing the information provided by GAO on the career stream benchmarks, Watson Wyatt conducted meetings with Career Stream Focal Points to develop an understanding of the mission, job requirements and levels of responsibility of the career steam benchmarks. This process also entailed discussions with Career Stream Focal Points to identify specific employers and labor markets to which GAO lost employees and from which GAO was likely to recruit employees.

Based upon the information learned from the Career Stream meetings, Watson Wyatt matched the career stream benchmarks provided by GAO to position descriptions contained in a number of market data surveys.[3] The surveys used by Watson Wyatt contained job descriptions and compensation information from government, not-for-profit sector, and private sector professional services entities engaged in research, audit and evaluation activities in the labor markets where GAO staff is located, as well as other comparator organizations such as law firms and public accounting firms, including a number of the specific employers identified by the career stream focal points. Importantly, neither individual job descriptions nor salary data are attributed to any specific organization in the survey. While the surveys list the employers participating in the survey, to ensure confidentiality, the surveys only link the pay data to the positions themselves, not to any specific employer. Watson Wyatt's job matches were based on content and qualifications required for the position, not job title. All benchmark jobs were linked to multiple survey sources, typically 3-4 matches per benchmark job.

In determining which survey job descriptions to use, Watson Wyatt selected descriptions that appeared to involve similar duties and skill sets to the relevant GAO position descriptions. Consistent with its standard business practices, once Watson Wyatt identified comparator job descriptions, it submitted them to the Career Stream Focal Points at GAO, to members of the Employee Advisory Council (EAC), and to GAO's Executive Committee to determine whether the suggested job descriptions were appropriate matches. To prevent any potential bias in selecting appropriate matching job descriptions, Watson Wyatt did not share the salary ranges associated with the survey position descriptions with the Career Stream Focal Points or the Executive Committee when it was matching GAO position descriptions with market survey data.

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[3] GAO purchased the surveys based upon Watson Wyatt's recommendations.

The survey jobs that were matched to the Analyst positions are identified below. The 2004 surveys contain complete descriptions of the particular job matches.

Analyst (PE-347)	2004 Survey Source	Watson Wyatt recommended and GAO verified Survey Job Codes and Job Titles
Band I	Cordom Associates	79 – Public Policy Analyst
	Cordom Associates	81 – Research Associate
	Abbott Langer Consulting Survey	Consultant
	PRM Research	17 – Social/Policy Research II
	WTPF	OPOR – Operations Research/Analysis – Intermediate Professional Level
Band II	Cordom Associates	82 – Research Fellow
	Abbott Langer Consulting Survey	Senior and Principal Consultant
	PRM Research	16 – Social/Policy Research III
	WTPF	OPOR, P4 – Operations Research/Analysis – Career Level Professional
Band III	WTPF	OPOR, M2 – Operations Research/Analysis – Advanced Level Professional and 2nd Level Manager
	PRM Research	14 – Social/Policy Research IV

The Watson Wyatt briefing to GAO's employees, dated October 21, 2004, contains a table listing some of the organizations that participated in the various surveys. The table reads as follows:

Sample of Survey Sources	Sample Participating Organizations
PRM Consulting-Research Organizations Survey (* indicates also a participant in the PRM Non-Profit Survey)	The Brookings Institution* Cato Institute The Heritage Foundation* IMF Public Policy Institute of California* RAND Corporation* The Urban Institute*
Cordom Not-for-Profit Survey	Carnegie Endowment for International Peace Edison Electric Institute

	Fannie Mae Foundation National Academies Newspaper Association of America
Watson Wyatt – Custom Survey for the Board of Governors of the Federal Reserve System	BOG of the FRS Fannie Mae FDIC Freddie Mac IMF World Bank
HRA-NCA Compensation Survey (Survey also provides Federal pay data for each position based on occupational series and appropriate GS grade.)	AMS, Inc. CACI International C-SPAN Gannett Co IMF RAND SAIC-Frederick The Brookings Institution The Urban Institute
WTPF Compensation Survey	BAE Systems Booz, Allen & Hamilton, Inc Freddie Mac General Dynamic JHU Applied Physics Lab NASD Northrop Grumman
Custom Data Collection	OMB CBO CRS SEC Private Law Firms Representative Big 4 Accounting Firm GS Equivalent Data from OPM

If you would like a comprehensive list of each employer participating in the surveys, please let us know and we can provide the information. For the reasons described above, however, this list would not identify which specific organizations were compared to GAO's career stream benchmarks.

III. Systemic Defense Acquisition Challenges, September 6, 2006

1. Service budgets are allocated largely according to top line historical percentages rather than Defense-wide strategic assessments and current and likely resource limitations.
2. Capabilities and requirements are based primarily on individual service wants versus collective Defense needs (i.e. based on current and expected future threats) that are both affordable and sustainable over time.
3. Defense consistently overpromises and underdelivers in connection with major weapons, information, and other systems (i.e. capabilities, costs, quantities, schedule).
4. Defense often employs a "plug and pray approach" when costs escalate (i.e. divide total funding dollars by cost per copy, plug the number that can be purchased, then pray that Congress will provide more funding to buy more quantities).
5. Congress sometimes forces the department to buy items (e.g. weapons systems) and provide services (e.g. additional health care for non-actives) that the department does not want and we cannot afford.
6. DOD tries to develop high risk technologies after programs start instead of setting up funding, organizations, and processes to conduct high risk technology development activities in low cost environments, (i.e. technology development is not separated from product development). Program decisions to move into design and production are made without adequate standards or knowledge.
7. Program requirements are often set at unrealistic levels, then changed frequently as recognition sets in that they cannot be achieved. As a result, too much time passes, threats may change, and/or members of the user and acquisition communities may simply change their mind. The resulting program instability causes cost escalation, schedule delays, fewer quantities and reduced contractor accountability.
8. Contracts, especially service contracts, often do not have definitive or realistic requirements at the outset in order to control costs and facilitate accountability.
9. Contracts typically do not accurately reflect the complexity of projects nor appropriately allocate risk between the contractors and the taxpayers (e.g. cost plus, cancellation charges).
10. Key program staff rotate too frequently thus promoting myopia and reducing accountability (i.e. tours based on time versus key milestones). Additionally, the revolving door between industry and the Department presents potential conflicts of interest.
11. The acquisition workforce faces serious challenges (e.g. size, skills, knowledge, succession planning).
12. Incentive and award fees are often paid based on contractor attitudes and efforts versus positive results (i.e. cost, quality, schedule).

13. Inadequate oversight is being conducted by both the Defense Department and the Congress which results in little to no accountability for recurring and systemic problems.
14. Some individual program and funding decisions made within the Department and by the Congress serve to undercut sound policies.
15. Lack of a professional, term-based CMO at the Defense Department serves to slow progress on defense transformation and reduce the chance of success in the acquisitions/contracting and other key business areas.

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