

Serving the Congress and the Nation  
U.S. Government Accountability Office



# Summary of GAO's Performance and Financial Information Fiscal Year 2010

Accountability ★ Integrity ★ Reliability

# SERVING THE CONGRESS AND THE NATION

## **Accountability**

We help the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's analysts, auditors, lawyers, economists, information technology specialists, investigators, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people.

## **Integrity**

We set high standards for ourselves in the conduct of GAO's work. Our agency takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all activities. Integrity is the foundation of our reputation, and the GAO approach to work ensures it.

## **Reliability**

We at GAO want our work to be viewed by the Congress and the American public as reliable. We produce high-quality reports, testimonies, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

## **Scope of work**

GAO performs a range of oversight-, insight-, and foresight-related engagements, a vast majority of which are conducted in response to congressional mandates or requests. GAO's engagements include evaluations of federal programs and performance, financial and management audits, policy analyses, legal opinions, bid protest adjudications, and investigations.



UNITED STATES  
 GOVERNMENT ACCOUNTABILITY OFFICE  
 Budget, Performance, and Financial Snapshot  
 Fiscal Year 2010

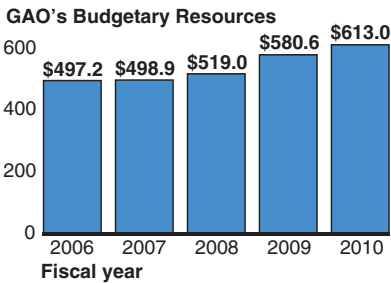
**WHO WE ARE**

**Mission:** The Government Accountability Office, the audit, evaluation, and investigative arm of the Congress, exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help the Congress make informed oversight, policy, and funding decisions.

**Organization and Strategic Focus:** To fulfill its mission, GAO organizes and manages its resources to support four broad strategic goals. These include helping to address challenges to the well-being and financial security of the American people, responding to changing security threats and global interdependence, and transforming the federal government to address national challenges. Strategic goal 4 is an internal goal focused on enhancing GAO's value through improving its efficiency, effectiveness, and quality, and institutional stewardship and resource management.

**Human Capital:** GAO maintains a workforce of highly trained professionals across a breadth of academic and scientific disciplines. About three-quarters of the approximately 3,200 employees are based at GAO headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country.

**BUDGET AND FINANCIAL SNAPSHOT (Dollars in Millions)**



Source: GAO.

Clean opinion on financial statements	Yes
Timely financial reporting	Yes
Material weaknesses	None
Total assets	\$122.3
Total liabilities	\$111.3

**PERFORMANCE SNAPSHOT**

**Accomplishments:** In fiscal year 2010, GAO met or exceeded 14 of its 15 annual performance targets by, for example, identifying \$49.9 billion in financial benefits—a return of \$87 for every dollar GAO spent—and 1,361 improvements in laws and government programs and operations. The rate at which GAO's recommendations were implemented by federal agencies or the Congress was 82 percent, and over two-thirds of the products issued contained recommendations. GAO did not meet its testimony target but testified at 192 hearings before the Congress on a variety of topics across its body of work, over a third of which were on areas considered at high risk for fraud, waste, abuse, and mismanagement. Results for people measures, such as staff development and organizational climate, also met or exceeded targets. (See table 1 on page 9 for information on all of GAO's performance measures.)

**Challenges:** In fiscal year 2010, GAO continued to address three management challenges—physical security, information security, and human capital. For example, to address the human capital challenge, GAO implemented several initiatives aimed at recruitment, retention, and promoting an inclusive and equitable work environment.

**SUMMARY OF KEY GAO PERFORMANCE RESULTS AND TARGETS FOR FY 2006–2010**

To help determine how well GAO is meeting the needs of the Congress and the nation and maximizing its value as a leading practices agency, GAO assesses its performance annually using a balanced set of quantitative measures. Below are 9 of the 15 annual performance measures that highlight the agency's performance in significant areas related to the implementation of its mission.

To establish targets for all of its performance measures, GAO examines its past performance and the external factors that could influence its work and discusses with its senior executives what could be accomplished in the upcoming fiscal year. GAO may adjust these targets after they are initially published in its annual performance plan based on changes in planned work or level of funding.

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 target	2010 actual
<b>Results</b>						
Financial benefits (dollars in billions)	\$51.0	\$45.9	\$58.1	\$43.0	\$42.0	\$49.9
Nonfinancial benefits	1,342	1,354	1,398	1,315	1,200	1,361
Past recommendations implemented	82%	82%	83%	80%	80%	82%
New products with recommendations	65%	66%	66%	68%	60%	61%
<b>Client</b>						
Testimonies	240	276	298	203	220	192
<b>People</b>						
Staff development <sup>a,b</sup>	76%	76%	77%	79%	76%	79%
Staff utilization <sup>a,c</sup>	75%	73%	75%	78%	75%	77%
Effective leadership by supervisors <sup>a,d</sup>	79%	79%	81%	83%	80%	83%
Organizational climate <sup>a</sup>	73%	74%	77%	79%	75%	79%

Source: GAO.

Note: Information explaining all of the measures included in this table appears in the Data Quality and Program Evaluations section in part II of our [full fiscal year 2010 performance and accountability report](#).

<sup>a</sup>This measure is derived from our annual agencywide employee feedback survey. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of "no basis to judge/not applicable" or "no answer" were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

<sup>b</sup>Beginning in fiscal year 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question.

<sup>c</sup>Our employee feedback survey asks staff how often the following occurred in the last 12 months: (1) my job made good use of my skills, (2) GAO provided me with opportunities to do challenging work, and (3) in general, I was utilized effectively.

<sup>d</sup>In fiscal year 2009 we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employees' satisfaction with their immediate supervisors' leadership. In fiscal year 2010, we changed one of the questions for this measure.





# FROM THE COMPTROLLER GENERAL

Source: See Image Sources.

January 2011

I am pleased to present GAO's summary of the performance and accountability report for fiscal year 2010. The year presented many opportunities for us to make meaningful contributions to improving the way government works in support of the Congress and the nation. Our products covered a wide spectrum of issues—from national and homeland security to the environment and transportation, from cybersecurity to health care, banking, and housing. We continue to highlight high-risk areas and government challenges for the Congress and the executive branch and call attention to opportunities for cost savings and improvements in federal agency and program management. Throughout the year, we also regularly provided the Congress with the results of our work in carrying out our responsibilities related to the Troubled Asset Relief Program and the American Recovery and Reinvestment Act of 2009. I am confident that the performance and financial information in this summary and in the [full report](#) is complete and reliable and meets our high standards for accuracy and transparency.

We again received from independent auditors an unqualified or “clean” opinion on our financial statements for fiscal year 2010. We documented \$49.9 billion in financial benefits—a return of \$87 for every dollar invested in us. We also recorded 1,361 nonfinancial benefits that helped to change laws, such as the Improper Payments Elimination and Recovery Act of 2010; improve services to the public; and promote sound management throughout government. The 111th Congress continued to rely on us to inform its work on national and international issues, with our senior officials testifying at 192 hearings. Getting our message out is crucial; to better serve our clients and the public we developed a mobile Web site for access to GAO's work from smart phones and other small screen devices. We have also piloted an “e-report” format for faster and easier access to key aspects of our reports. The response from our readers has been very positive.

We could not have achieved this level of performance without the outstanding efforts of our professional, diverse, and multidisciplinary staff. Through their hard work and dedication, we met our clients' needs with 95 percent on-time delivery. Our people and internal operations measures for fiscal year 2010 indicate that our employees feel they have the developmental and training opportunities, work experiences and work environment, and operational support they need to continue producing high-quality products. We met or exceeded all of the targets we set for our seven people measures—new hire rate, retention rate (with and without retirements), staff development, staff utilization, effective leadership by supervisors, and organizational climate. We ranked second among large agencies according to the 2010 Best

Places to Work in the federal government rankings of the Partnership for Public Service and the Institute for the Study of Public Policy Implementation at American University.

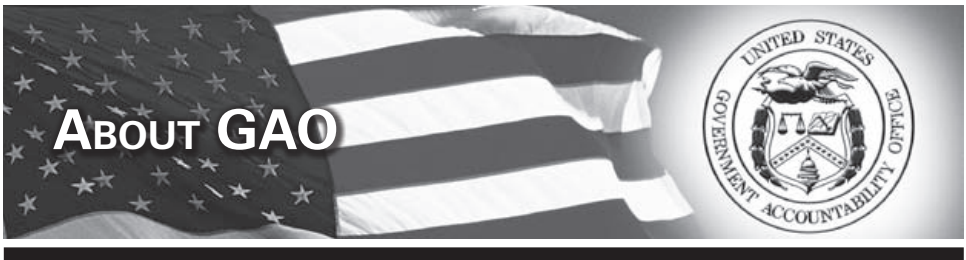
We have continued to focus on key internal management challenges—physical security, information security, and human capital—and the external factors that affect them. For example, in fiscal year 2010, we strengthened our recruitment initiatives to reach a more diverse applicant pool, laid the groundwork for revamping our performance management systems, and issued an annual Workforce Diversity Plan. In addition, we strengthened our training on compliance with the Americans with Disabilities Act. We also improved physical security by beginning installation of upgraded electronic security systems in our field offices and information security by supplementing our data protection encryption.

We maintained our productive working relationship with the employees' union, GAO Employees Organization, International Federation of Professional and Technical Engineers, Local 1921, and we finalized negotiations toward completion of our first master collective bargaining agreement on November 1, 2010. We are also working with the Employee Advisory Council and the Diversity Advisory Council on a range of issues.

Fiscal year 2010 was one of our most busy and challenging years—yet we succeeded at performing our mission, responding to mandates, and accomplishing many of our goals. 2011 brings more challenges with additional responsibilities to assess duplicative government programs and opportunities to improve operations and carry out studies and activities related to the implementation of new financial regulatory and health care reform legislation. Our new strategic plan for serving the Congress through fiscal year 2015 provides the framework for reporting on progress toward our institutional goals. We look forward to continuing to serve the Congress and the public with these and other new efforts in the coming year.



Gene L. Dodaro  
Comptroller General  
of the United States



Source: See Image Sources.

GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. Commonly known as the audit and investigative arm of the Congress or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including the Federal Managers’ Financial Integrity Act of 1982 (FMFIA), the Government Performance and Results Act of 1993 (GPRA), and the Federal Financial Management Improvement Act of 1996 (FFMIA). Accordingly, the full performance and accountability report for fiscal year 2010 (see <http://www.gao.gov/products/GAO-11-2SP>) provides what we consider to be information comparable to that reported by executive branch agencies in their annual performance and accountability reports. This report also fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.

## Mission

Our mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. We accomplish this by providing objective and reliable information and informed analysis to the Congress, to federal agencies, and to the public, and we recommend improvements, when appropriate, on a wide variety of issues.

We use a strategic planning and management process that is based on a hierarchy of four elements—strategic goals, strategic objectives, performance goals, and key efforts. In July 2010, we updated and began the transition to our strategic plan for fiscal years 2010 through 2015. The plan describes our goals and strategies for supporting the Congress and the nation and identifies eight trends that provide context for the plan. These are highlighted in our strategic planning framework for serving the Congress (see [fig. 1](#)). (See our complete strategic plan at <http://www.gao.gov/products/GAO-10-559SP>.)

### GAO’s History

The Budget and Accounting Act of 1921 required the President to issue an annual federal budget and established GAO as an independent agency to investigate how federal dollars are spent. In the early years, we mainly audited vouchers, but after World War II we started to perform more comprehensive financial audits that examined the economy and efficiency of government operations. By the 1960s, GAO had begun to perform the type of work we are noted for today—program evaluation—which examines whether government programs are meeting their objectives.

Figure 1: GAO's Strategic Plan Framework



# Serving the Congress and the Nation

## GAO's Strategic Plan Framework

### MISSION

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

### TRENDS

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

### Goals

### Objectives

**Provide Timely, Quality Service to the Congress and the Federal Government to...**

**...Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...**

- Health care needs
- Lifelong learning
- Benefits and protections for workers, families, and children
- Financial security
- Effective system of justice
- Viable communities
- Stable financial system and consumer protection
- Stewardship of natural resources and the environment
- Infrastructure

**...Respond to Changing Security Threats and the Challenges of Global Interdependence involving...**

- Homeland security
- Military capabilities and readiness
- U.S. foreign policy interests
- Global market forces

**Help Transform the Federal Government to Address National Challenges by assessing...**

- Government's fiscal position and options for closing gap
- Fraud, waste, and abuse
- Major management challenges and program risks

**Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency in the areas of...**

- Efficiency, effectiveness, and quality
- Diverse and inclusive work environment
- Professional networks and collaboration
- Institutional stewardship and resource management

### CORE VALUES

Accountability

Integrity

Reliability



**Figure 2: How GAO Assisted the Nation • Fiscal Year 2010**

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

- Identified ways for HHS to strengthen inspections of ambulatory surgical centers leading to a fourfold increase in the proportion of centers found to have deficient practices
- Facilitated expedited claims process for Labor's black lung benefits program
- Increased EPA focus on environmental threats to children's health
- Identified factors to consider in restructuring Fannie Mae and Freddie Mac
- Proposed changes to improve control of toxic chemicals in consumer products
- Identified hidden fees for air travel that should be disclosed to consumers

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

- Exposed weaknesses in TSA's behavior-based identification of high-risk air passengers
- Recommended changes that FEMA implemented to better plan for national emergency response capabilities
- Contributed to a more robust missile defense acquisition policy
- Encouraged reforms in the United Nations' procurement, internal oversight, and employment processes
- Provided insight to the Congress that led to expanding U.S. sanctions against Iran
- Informed development of a framework to reform the U.S. export control system

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

- Informed IRS's decision to extend regulation of paid tax preparers, including requiring them to obtain an identifying number and be tested for competency
- Exposed Energy Star as a self-certification program by obtaining certification for bogus products which led DOE and EPA to adopt improvements in their approval process
- Surfaced weaknesses in VA outpatient scheduling IT systems
- Developed a methodology adopted by the Congress to efficiently target billions of dollars in Medicaid assistance through the Recovery Act
- Assessed IT risks for the 2010 Census to ensure successful execution

***Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency***

- Implemented leading practices to attract a more diverse workforce and foster an inclusive work environment
- Leveraged technology to facilitate business process improvements in financial and administrative IT systems
- Improved access to our products with a new mobile Web site for users of small screen devices and a new electronic product format
- Collaborated with international accountability organizations to enhance their audit guidelines by incorporating private sector international auditing standards

Source: GAO.

Note: Additional information on accomplishments by goal is provided in parts II, p.60, and V, p. 119, of the [full report](#).

Our audit, evaluation, and investigative work is primarily aligned under the first three strategic goals, which span domestic and international issues affecting the lives of all Americans and influencing the extent to which the federal government serves the nation's current and future interests. The fourth goal is focused internally on improving efficiency and effectiveness in performing our work, maintaining and enhancing a diverse workforce, expanding our networks and partnerships, and being a responsible steward of our resources. [Figure 2](#) provides examples of this work.

We maintain a multidisciplinary workforce with professional training in many disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,200 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country. Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

## Fiscal Year 2010 Performance

In fiscal year 2010, we monitored how well we performed our work and supported our staff using 15 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2010—we met or exceeded all but one of the performance targets we set for each of these measures (see [table 1](#)). We exceeded our financial benefits target of \$42 billion for the fiscal year by \$7.9 billion. This represents an \$87 return on every dollar the Congress invested in us. In addition, we exceeded our target of 1,200 nonfinancial benefits by 161 benefits. We also exceeded our targets for past recommendations implemented by 2 percentage points and for new products with recommendations by 1 percentage point. We did not meet our target of 220 hearings at which we were asked to testify, due to fewer-than-anticipated hearings in a range of subject areas. We did meet the target for delivering our products and testimonies to our clients in a timely manner. We also met or exceeded our annual targets for all seven of our people measures.

Concerning our two internal operations measures, we will assess our performance related to how well our internal administrative services (e.g., computer support, mail service, and Internet service) help employees get their jobs done or improve employees' quality of work life once data from our November 2010 annual customer satisfaction survey have been analyzed. These measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. There will always be a lag in reporting on this measure because our customer feedback survey is distributed after we issue the performance and accountability report. In fiscal year 2009, we exceeded our targets of 4.0 (a composite score based on employees' responses from an internal survey) for our measure to help get the job done and for our quality of work life measure. These scores indicate that our employees were satisfied with the internal administrative services they used during their workday. The survey asked staff to rank the importance of each service to them and indicate their satisfaction with it on a scale from 1 to 5, with 5 being the highest score.

**Table 1: Agencywide Summary of Annual Measures and Targets**

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 target actual		Met/not met	2011 target
<b>Results</b>								
Financial benefits (dollars in billions)	\$51.0	\$45.9	\$58.1	\$43.0	\$42.0	\$49.9	met	\$42.0
Nonfinancial benefits	1,342	1,354	1,398	1,315	1,200	1,361	met	1,200
Past recommendations implemented	82%	82%	83%	80%	80%	82%	met	80%
New products with recommendations	65%	66%	66%	68%	60%	61%	met	60%
<b>Client</b>								
Testimonies	240	276	298	203	220	192	not met	200
Timeliness <sup>a</sup>	93%	95%	95%	95%	95%	95%	met	95%
<b>People</b>								
New hire rate	94%	96%	96%	99%	95%	95%	met	95%
Retention rate								
With retirements	90%	90%	90%	94%	90%	94%	met	90%
Without retirements	94%	94%	93%	96%	94%	96%	met	94%
Staff development <sup>b,c</sup>	76%	76%	77%	79%	76%	79%	met	76%
Staff utilization <sup>b,d</sup>	75%	73%	75%	78%	75%	77%	met	75%
Effective leadership by supervisors <sup>b,e</sup>	79%	79%	81%	83%	80%	83%	met	80%
Organizational climate <sup>b</sup>	73%	74%	77%	79%	75%	79%	met	75%
<b>Internal operations<sup>f</sup></b>								
Help get job done	4.1	4.05	4.0	4.03	4.0	N/A	N/A	4.0
Quality of work life	4.0	3.98	4.01	4.01	4.0	N/A	N/A	4.0

Source: GAO.

<sup>a</sup>The timeliness measure is based on one question on a form sent out to selected clients. The response rate for the form in fiscal year 2010 is 29 percent, and 99 percent of the clients who responded answered this question. The percentage shown in the table represents the percentage of respondents who answered favorably to this question on the form.

<sup>b</sup>This measure is derived from our annual agencywide employee feedback survey. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

<sup>c</sup>Beginning in fiscal year 2006, we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question.

<sup>d</sup>Our employee feedback survey asks staff how often the following occurred in the last 12 months: (1) my job made good use of my skills, (2) GAO provided me with opportunities to do challenging work, and (3) in general, I was utilized effectively.

<sup>e</sup>In fiscal year 2009 we changed the name of this measure from “Leadership” to its current nomenclature to clarify that the measure reflects employees’ satisfaction with their immediate supervisors’ leadership. In fiscal year 2010, we changed one of the questions for this measure.

<sup>f</sup>For our internal operations measures, we ask staff to rank 33 internal services available to them and to indicate on a scale from 1 to 5, with 5 being the highest, their satisfaction with each service. These measures are described in more detail on page 38 of the [full report](#). We will report actual data for fiscal year 2010 once data from our November 2010 internal customer satisfaction survey have been analyzed. N/A indicates that the data are not yet available.

When setting our target for the number of hearings at which our senior executives testify, we base our testimonies target largely on the cyclical nature of the congressional calendar, in addition to our 4-year rolling averages and our past performance. Our experience has shown that during the fiscal year in which an election occurs, the Congress generally holds fewer hearings because the members usually only meet for a short session at the end of the calendar year, and then they reorganize in the following months, providing fewer opportunities for us to testify. In 2010, our experience was different than expected due to a congressional focus on a few key policy areas that did not encompass as many hearings on our broad scope of work as in recent years.

Focusing on outcomes and the efficiency of the processes needed to achieve them is fundamental to accomplishing our mission. The following four annual measures—financial benefits, nonfinancial benefits, past recommendations implemented, and new products containing recommendations—indicate that we have fulfilled our mission and delivered results that benefit the nation.

### Financial Benefits and Nonfinancial Benefits

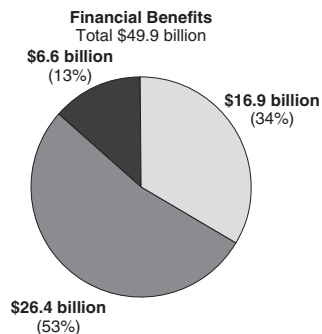
We describe many of the results produced by our work as either financial or nonfinancial benefits. Both types of benefits result from our efforts to provide information to the Congress that helped to (1) change laws and regulations, (2) improve services to the public, and (3) promote sound agency and governmentwide management. In many cases, the benefits we claimed in fiscal year 2010 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

#### Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress acts on or agencies implement them and the funds are made available to reduce government expenditures or are reallocated to other areas. Figure 3 shows the distribution of fiscal year 2010 financial benefits resulting from changes in business operations and activities; the restructuring of federal programs; or modifications to entitlements, taxes, or user fees.

To document financial benefits, our staff complete reports documenting accomplishments that are linked to specific recommendations or actions. Each accomplishment report for financial benefits is documented and reviewed by (1) another GAO staff member not

**Figure 3: Types of Financial Benefits Recorded in Fiscal Year 2010 from Our Work**



**Categories**

- Agencies acted on GAO information to improve services to the public
- Information GAO provided to the Congress resulted in statutory or regulatory changes
- Core business processes improved at agencies and governmentwide management reforms advanced by GAO's work

Source: GAO.



involved in the work and (2) a senior executive in charge of the work, followed by additional internal GAO review. In fiscal year 2010, financial benefits of \$100 million or more, which amounted to 95 percent of the total dollar value of benefits recorded in fiscal year 2010, were also reviewed by independent reviewers with knowledge of our accomplishment reporting policies and procedures. (See table 15, pp. 75-76 of the full report for more information on how we review financial benefits.)

**Selected Fiscal Year 2010 Financial Benefits**

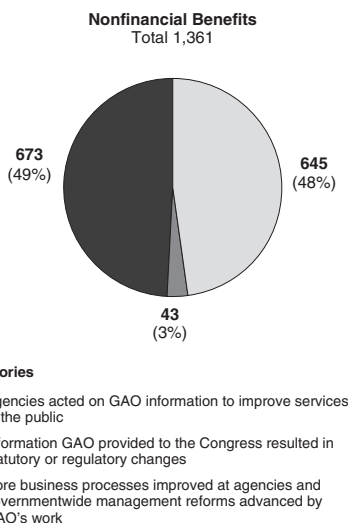
- Canceling the Manned Ground Vehicle Portion of the Army's Future Combat System: \$3.7 billion
- Eliminating Seller-Funded Assistance for Federal Housing Administration Mortgages: \$3.5 billion
- Enhancing Tax Compliance Involving Foreign Accounts: \$3.0 billion
- Reducing Compensation to Federal Crop Insurance Providers: \$2.8 billion

**Nonfinancial Benefits**

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2010, we recorded a total of 1,361 nonfinancial benefits. We exceeded our target by over 13 percent due largely to a number of accomplishments we documented that related to the nation's defense and security, environmental, and national infrastructure programs.

Figure 4 shows the distribution of our fiscal year 2010 nonfinancial benefits resulting from agencies acting on our information to improve services to the public, the Congress acting on our information to enact statutory or regulatory changes in fiscal year 2010, and agencies improving core business processes or governmentwide reforms as a result of our work. These actions covered a variety of issues, such as improving oversight of nursing home care, identifying fraud at the Small Business Administration's business development program, and improving foreign service officers' language skills.

**Figure 4: Types of Nonfinancial Benefits Documented in Fiscal Year 2010 from Our Work**



Source: GAO.

### **Selected Fiscal Year 2010 Nonfinancial Benefits That Helped to Change Laws:**

- Strengthening First-Time Homebuyer Tax Credit Provisions
- Expediting Black Lung Benefits Claims
- Standardizing Governmentwide Policy on Contractor Personal Conflicts of Interest

### **Improve Services to the Public:**

- Oversight of Federal Oil and Gas Resources
- Oversight of Care in Nursing Homes
- Foreign Service Officers' Language Skills

### **Promote Sound Agency and Governmentwide Management:**

- Improved the Department of the Treasury's Debt Management
- Identified Vulnerabilities in the Energy Star Certification Process
- Assessed the Cost and Progress of the 2010 Census

## **Past Recommendations Implemented**

One way we measure our effect on improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2010, 82 percent of the recommendations we made in fiscal year 2006 had been implemented (see [table 1](#)), primarily by executive branch agencies. Agencies need time to act on recommendations, and we assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

## **New Products Containing Recommendations**

In fiscal year 2010, about 61 percent of the 601 written products we issued (excluding testimonies) contained recommendations (see [table 1](#)). We track the percentage of new products with recommendations because we want to focus on developing recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation. We slightly exceeded our target of 60 percent by 1 percentage point. We set our target at 60 percent because our products do not always include recommendations, and the Congress and agencies often find informational reports as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about substantial financial and key nonfinancial benefits. Hence, this measure allows us some flexibility in responding to requests that result in reports without recommendations.

## Client Measures

To fulfill the Congress's information needs, we deliver the results of our work orally as well as in writing at a time agreed upon with our client.

### Testimonies

Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2010, experts from our staff testified at 192 congressional hearings covering a wide range of complex issues. We missed our target of 220 hearings at which we testify (see [table 1](#)) by 28 hearings. This measure is client-driven based on invitations to testify and we cannot always anticipate our clients' specific subject area interests. The 192 hearings at which the Congress asked our executives to testify in fiscal year 2010 covered a broad range of issue areas. (See [fig. 5](#) for selected topics we testified on by strategic goal in fiscal year 2010.) Sixty-seven of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on page 40 of the [full report](#).

### Timeliness

To be useful to the Congress, our products must be available when our clients need them. We outreach directly to our clients through several means, including an electronic feedback form. We use the results of our client feedback form as a primary source and barometer for whether we are getting our products to our congressional clients when they need the information. In fiscal year 2010, we met our timeliness target of 95 percent.

## People Measures

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2010. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people. In fiscal year 2010, we met or exceeded all seven of our people measures. These measures are directly linked to our goal 4 strategic objective of being a leading practices federal agency.

### New Hire Rate

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. We develop an annual workforce plan that takes into account strategic goals; projected workload requirements; and other changes, such as retirements, other attrition, promotions, and skill gaps. The workforce plan specifies the number of planned hires for the upcoming year. In fiscal year 2010, our adjusted plan was to hire 260 staff. We were able to bring on board 248 staff by year-end, meeting our target of 95 percent of our goal for new hires (see [table 1](#)). This resulted from a continuation of the focused recruiting initiatives from last year to effectively address workload requirements and succession planning needs.

**Figure 5: Selected Testimony Topics • Fiscal Year 2010**

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

- Unemployment Insurance Trust Funds
- Social Security Disability
- Underfunded Pension Plans
- Proprietary Schools
- Medicare High-Cost Drugs
- Toxic Substance Abuses Disease Registry
- Concussions in High School Athletes
- Children's Access to Medicaid Dental Services
- Corporate Crime
- DOJ's Civil Rights Division's Enforcement Efforts
- Fannie Mae and Freddie Mac
- Interior's Oversight of Oil and Gas
- Clean Water Act Enforcement Efforts
- U.S. Postal Service Financial Viability
- Federal Facilities Security
- High-Speed Rail Projects

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

- Financial Markets Regulation
- National Flood Insurance Program
- Climate Change
- Alien Smuggling Along U.S. Southwest Border
- Aviation Security Advanced Imaging Technology
- Terrorist Watchlist Screening
- Combating Nuclear Smuggling
- Iran Sanctions
- Counternarcotics and Anticrime Efforts in Mexico
- Global Food Security
- Intellectual Property Enforcement Efforts
- Afghanistan Security Force Capacity
- DOD Military and Civilian Employee Compensation
- Military Language Skills
- Warfighter Contract Support
- Joint Strike Fighter Challenge
- Defense Space Acquisitions

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

- Interagency Collaboration for National Security
- NASA Management and Program Challenges
- Balancing the Government-to-Contractor Workforce
- Iraq and Afghanistan Contract and Grant Management
- Recovery Act Oversight
- First-Time Homebuyer Tax Credit
- 2010 Census Management Challenges
- U.S. Government Financial Statements
- Protecting Federal Information Systems
- Environmental Satellites
- Service Disabled Veteran-Owned Small Business Program Fraud Prevention
- Head Start Program Fraud
- Defense Contract Audit Agency Vulnerabilities

Source: GAO.

Note: Additional information on selected testimonies can be found in part II, pp. 64, 68, and 72, of the [full report](#).



## Retention Rate

We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like them to stay with us. This measure is one indicator of whether we are attaining this objective. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. Our exit survey shows that staff who retire do so for family, life, or health considerations, whereas nonretirees leave for new opportunities to work elsewhere, for family reasons, or to make better use of their skills. In fiscal year 2010, we exceeded our target rate for overall retention (with retirements) by 4 percentage points, and our target for retention without retirements by 2 percentage points. We attribute exceeding the target rate to the slowdown in the overall economy, which has caused some staff to delay retirement and reduced other attrition via resignations or transfers to other agencies.

## Staff Development and Utilization, Effective Leadership by Supervisors, and Organizational Climate

One way that we measure how well we are supporting our staff and providing an environment for professional growth is through our annual employee feedback survey. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate their

immediate supervisors on key aspects of their leadership styles.

In fiscal year 2010, about 70 percent of our employees completed the survey and we exceeded all four targets. Our fiscal year 2010 performance on all of these measures was very consistent with our fiscal year 2009 results. Our performance on the staff development, leadership, and organizational climate measures was the same as last year, and staff utilization was lower by 1 percentage point (see [table 1](#)).

## Internal Operations Measures

Our mission and people are supported by our internal administrative services, such as information management, facility management, knowledge services, human capital, and financial management. To assess our performance related to how well our internal administrative services help employees get their jobs done or improve employees' quality of work life, and to set targets, we use information from our annual customer satisfaction survey in which we ask staff to rank 33 internal services available to them. Our internal operations measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice.

## GAO's High-Risk Program

In 1990, we began our high-risk program to highlight long-standing challenges facing the federal government. Historically, we designated high-risk areas based on their increased susceptibility to fraud, waste, abuse, and mismanagement. As the program has evolved, we have increasingly used the high-risk designation to draw attention to the need for broad-based transformation to achieve greater efficiency, effectiveness, accountability, and sustainability of key government programs and operations.

Issued to coincide with the start of each new Congress, our high-risk updates have helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. For example, our focus on high-risk issues contributed to the Congress

enacting a series of governmentwide reforms to address critical human capital challenges, strengthen financial management, improve information technology practices, and instill a more results-oriented focus. Overall, our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. As of the end of fiscal year 2010, our high-risk list highlighted 31 troubled areas across government. More information on the series is available on our Web site at <http://www.gao.gov/highrisk>.

### Our 2010 high-risk area work:

- 151 reports
- 67 testimonies
- \$27 billion in financial benefits
- 522 nonfinancial benefits

## The Troubled Asset Relief Program

The Congress created the \$700 billion Troubled Asset Relief Program (TARP) in October 2008, passing the Emergency Economic Stabilization Act to restore liquidity and stability in the financial system. The act gave us a statutory oversight role with broad monitoring and reporting responsibilities, including a requirement to report at least every 60 days. The Dodd-Frank Wall Street Reform and Consumer Protection Act of July 2010, set a new spending ceiling for TARP—in effect, prohibiting the Department of the Treasury (Treasury) from incurring any additional obligations for programs that were not initiated prior to June 25, 2010.

In fiscal year 2010, we issued 17 products and made over 50 recommendations on issues such as (1) the nature and purpose of activities that have been initiated under TARP and ongoing challenges, (2) the process for making decisions related to unwinding TARP programs, and (3) indicators of credit conditions in markets targeted by TARP programs. Recommendations from these reviews have generally followed three themes: monitoring the use of funds to meet the act's objectives, articulating a better communication strategy, and ensuring effective Treasury management. For the second consecutive year, we audited the annual financial statements of the entity established to implement TARP—Treasury's Office of Financial Stability within the Office of Domestic Finance.

## The American Recovery and Reinvestment Act

The Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act) in February 2009 to address the nation's most serious economic crisis since the Great Depression. The act included 12 mandates for GAO and required bimonthly reviews on the uses of and accountability for Recovery Act funds in selected states and localities. We have conducted in-depth reviews in 16 states, selected localities in those states, and the District of Columbia—jurisdictions containing about 65 percent of the U.S. population and receiving an estimated two-thirds of the intergovernmental Recovery Act assistance. In addition, we have commented quarterly on the required reports from nonfederal recipients of Recovery Act funds, including grants, contracts, and loans. These recipients' reports are to include a list of each project or activity for which Recovery Act funds were expended or obligated and information concerning the amount and use of funds and jobs created or retained by these projects and activities.

Since our first bimonthly review in April 2009, we have made 63 recommendations to improve management and strengthen accountability over Recovery Act funds at eight federal departments and agencies. Our recommendations covered several programs receiving Recovery Act funds, such as those related to highways, housing, job training, education, clean and safe drinking water, energy efficiency, and weatherization. We also made several recommendations to improve audit and program management oversight processes. In response, the agencies have implemented nearly half of our recommendations to date. Further, all 13 recommendations we made on carrying out the recipient reporting requirements have been implemented. In addition, we have made a number of suggestions to states and localities for improvement in their use of Recovery Act funds. Our presence in the selected states and localities has further heightened the level of vigilance, including influencing officials to make real-time improvements to head off problems before they could occur.

Our oversight of Recovery Act programs has resulted in more than 60 related products by several of our teams for the Congress. This year, our reports covered a wide spectrum of program and policy areas, including opportunities to strengthen oversight of the broadband stimulus programs, lessons and oversight for high-speed rail investment, improving the public's understanding of Recovery Act fund use and expected outcomes in education and other areas, improving contracting approaches and oversight, use of highway and transit funds, and ensuring adequate oversight for clean water projects.

We maintain a page on our external Web site (<http://www.gao.gov/recovery>) where the public can find information on Recovery Act outlays, our bimonthly reviews and reports on each of the selected states and the District of Columbia, related podcasts, and how to report allegations of abuse of Recovery Act funds.

## Managing Our Resources

### Resources Used to Achieve Our Fiscal Year 2010 Performance Goals

Our financial statements for the fiscal year ending September 30, 2010, were audited by an independent auditor, Clifton Gunderson, LLP, and received an unqualified opinion. They found our internal controls to be effective—which means that no material weaknesses were identified—and reported that we substantially complied with the applicable requirements for financial systems in FFMIA. In addition, they found no instances of noncompliance with the laws or regulations in the areas tested. In the opinion of the independent auditor, our financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles. The auditor's report, along with the statements and their accompanying notes, begin on page 94 of the [full report](#). [Table 2](#) summarizes key data.

**Table 2: GAO's Financial Highlights: Resource Information (Dollars in Millions)**

	Fiscal year 2010	Fiscal year 2009
Total budgetary resources <sup>a</sup>	\$613.0	\$580.6
Total outlays <sup>a</sup>	\$593.8	\$539.9
Net cost of operations		
Goal 1: Well-being/financial security of the American people	\$210.1	\$191.3
Goal 2: Changing security threats/challenges of global interdependence	173.5	168.4
Goal 3: Transform the federal government to address national challenges	196.5	177.1
Goal 4: Maximizing the value of GAO	29.4	27.7
Less reimbursable services not attributable to goals	(6.6)	(5.7)
<b>Total net cost of operations<sup>a</sup></b>	<b>\$602.9</b>	<b>\$558.8</b>
Actual full-time equivalents <sup>b</sup>	3,347	3,204

Source: GAO.

<sup>a</sup>The net cost of operations figures include nonbudgetary items, such as imputed pension and depreciation costs, which are not included in the figures for total budgetary resources or total outlays.

<sup>b</sup>This total includes full-time equivalents for our base budget as well as TARP and Recovery Act funding.

We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the people needed for our mission. In fiscal year 2010, our budgetary resources included new appropriations of \$558 million as well as \$20.8 million available through fiscal year 2010 to cover program reviews required by the Recovery Act. We also received \$7.5 million in reimbursement from Treasury to support activities related to monitoring the implementation of TARP, including bimonthly reporting and conducting an annual audit of the Office of Financial Stability's financial statements for TARP.



Our total assets were \$122 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. The balance in funds with the U.S. Treasury decreased by \$13.5 million, a result of the combination of fully expending the remaining balance of the Recovery Act funds offset by an increase in reimbursable funds collected. Total liabilities of \$111 million were composed largely of employees' accrued annual leave, employees' salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable. The greatest change in our liabilities is an increase of \$3.8 million in nongovernmental accounts payable due primarily to the timing of billings on service contracts resulting in a larger accrual this fiscal year compared to last fiscal year. The decrease in capital lease liability of \$2.2 million is a result of paying down the existing leases.

We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Overall, our net costs of operations increased by \$44 million, due primarily to increases in salaries and benefits. The increase in costs for goal 1 (Well-being and financial security of the American people) and goal 3 (Transforming the federal government to address national challenges) can be substantially attributed to the increase in Recovery Act efforts this fiscal year.

## Financial Systems and Internal Controls

We recognize the importance of strong financial systems and internal controls to ensure our accountability, integrity, and reliability. To achieve a high level of quality, management maintains a quality control program and seeks advice and evaluation from both internal and external sources.

We complied with the spirit of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, which provides guidance for agencies' assessments of internal control over financial reporting. We performed this assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2010, was operating effectively and that no material control weaknesses exist in the design or operation of the internal control over financial reporting. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

We are also committed to fulfilling the internal control objectives of FMFIA. Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition. Further, they are designed to ensure that transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements. We are also committed to fulfilling the objectives of FFMIA. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable

federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2010. We made this assessment based on criteria established under FFMIA and guidance issued by OMB.

Our Inspector General (IG) also conducts audits and investigations that are internally focused. During fiscal year 2010, the IG examined compliance with our policy and procedures for conflict-of-interest determinations and conducted reviews of our information security program. No material weaknesses were reported.

In addition, our Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal controls over financial operations, and processes that ensure compliance with laws and regulations relevant to our financial operations. The committee's report appears on page 93 of the [full report](#).

## **Networks, Collaborations, and Partnerships**

Achieving our strategic goals and objectives requires us to coordinate with other organizations with similar or complementary missions. We use advisory panels and other bodies to inform our planning and maintain strategic working relationships with other domestic and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other countries' national audit offices.

By collaborating with our domestic and global networks, we have acquired, expanded, and shared our knowledge and expertise, which continued to help to build capacity within our agency and among our collaborative partners. On the domestic front, collaboration has become increasingly important because monitoring Recovery Act spending through the federal, state, and local levels required increased coordination with federal inspectors general and state and local audit offices. The relationships built through these channels, as well as through the intergovernmental audit forums, have proven particularly valuable for our staff as they continue to conduct a wide range of audit work in the states. On the international front, coordination and collaboration have also been important since many of our domestic challenges require global interaction and our staff are engaged in work that requires them to obtain information from foreign governments and officials. For example, the International Organization of Supreme Audit Institutions has provided a forum for us to stay abreast of international accounting, auditing, and reporting standards and to share information about the effect of the financial crisis globally.

## **Internal Management Challenges and External Factors That Could Affect Our Performance**

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's strategic planning, management, internal controls, and budgeting processes. Under strategic goal 4, several performance goals focus on each of our management challenges. Each year, our IG examines management's assessment of the challenges and the agency's progress in addressing them (see p. 118 of the full report).

In fiscal year 2010, we continued to address three priority management challenges—physical security, information security, and human capital—each of which is affected by external factors that could impact our performance, requiring us to continuously identify ways to adapt and improve our internal operations.

### **Physical Security Challenge**

Domestic and international events, both ongoing and anticipated, present challenges in terms of physical security of our staff and facilities, emergency preparedness, and continuity of operations. To ensure our ability to protect our people and our assets, we must constantly assess our physical security profile to identify and implement improvements. To address this challenge in fiscal year 2010, we

- awarded a contract for encrypted mobile radios and radio antennas and repeaters for our contract security unit and emergency preparedness staff to support headquarters emergency operations,
- strengthened our protective measures for our hearing impaired employees in headquarters by providing them with mobile devices to alert them of evacuations and adding procedures for ensuring their safe evacuation from the building,
- enhanced our adherence to Homeland Security Presidential Directive 12 standards for federal building access by conducting about 630 minimum background investigations of government and contractor staff, and
- strengthened our emergency preparedness through required annual continuity awareness training.

### **Information Security Challenge**

Through our physical and electronic information security programs, we continuously assess threats; identify enhancements to policy, procedures, and technology; and ensure that the steps we take to address these threats limit risks to the agency. Our overall goal is to ensure that information protection requirements extend across the life cycle of audit work from data collection, report production, and data transmission and storage to the eventual archiving and disposal of data. To address this challenge in fiscal year 2010, we

- provided better access control to our network and information through additional data protection encryption and identity management options,
- increased our vigilance in the auditing of network servers and devices through the use of automated tools,
- enhanced our configuration and change management capabilities by consolidating our automated monitoring process across all network systems, and
- enhanced initial security awareness training to better prepare new staff to properly handle and protect sensitive and classified government information.

### **Human Capital Challenge**

We depend on a talented and diverse, high-performing, knowledge-based workforce to accomplish our work and carry out our mission in support of the Congress. To sustain the quality of our services and the demand for our work, we must continue

to focus our efforts on recruiting, developing, and retaining our workforce. We must also continue to build on our efforts to promote a work environment that is fair, unbiased, and inclusive, as well as one that offers opportunities for all employees to realize their full potential. To address this challenge in 2010, we

- negotiated the majority of the articles for our master collective bargaining agreement with the GAO Employees Organization, International Federation of Professional and Technical Engineers, Local 1921, using interest-based bargaining;
- implemented actions in our Workforce Diversity Plan to improve recruitment, such as increasing the use of the student career experience program, establishing partnerships with intern programs representing diverse populations, and expanding outreach activities to campuses and professional associations with diverse members and affiliates;
- enhanced our recruiting, hiring, and retention programs by developing a strategic recruiting framework, and streamlining the student loan repayment program process;
- completed a review of our performance management system in response to concerns from staff that it was not working well, briefed all employees on the findings, and awarded a contract for development of a new performance management system; and
- expanded supervisory and leadership training to improve how managers and staff elicit, receive, and give feedback, and introduced new courses to develop and refine skills on teamwork, improving communication, and coaching.

## **Mitigating External Factors**

Other external factors that could affect our performance and progress toward our goals include shifts in congressional interests, the ability of other agencies to make improvements needed to implement our recommendations, resource constraints, and access to agency information. We mitigate these factors in several ways.

While demand for our work is very high—with nearly 1,000 congressional requests and new mandates in fiscal year 2010—as the Congress responds to current and unforeseen events, the mix of work we are asked to perform can and does change. To be prepared to address timely and relevant issues, we communicate frequently with our congressional clients to stay abreast of their interests. In addition, each year we conduct a limited number of evaluations under the Comptroller General's authority to address priority issues we identify. We also strive to maintain flexibility in deploying our resources in response to shifting priorities and have successfully redirected our resources when appropriate and maintained broad-based staff expertise.

Federal funding and resource constraints could also affect our ability to serve the Congress and meet our performance targets. To improve our ability to work efficiently and make the best use of resources, we are focused on leveraging technology and enhancing our quality assurance processes. For example, in fiscal year 2010, we upgraded the capability of several information systems used by our engagement teams to manage their work.



The extent to which we can obtain access to agency information also plays an essential role in our ability to report on issues of importance to the Congress and the American people. While we generally receive very good cooperation in response to our information requests, over time we have experienced access issues at certain departments and agencies. Some of these are agency specific, stemming from long-standing processes and procedures that impede our access; others reflect misinterpretations of our authorities. We actively pursue access issues as they arise, and we are engaged in discussions and efforts across the executive branch to enhance our access to information. Access to information is described in more detail on pages 57-58 of the [full report](#).

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## Summary of GAO's Performance and Financial Information Fiscal Year 2010

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