



# **Anticipating and Managing Risk in a Dynamic Environment**

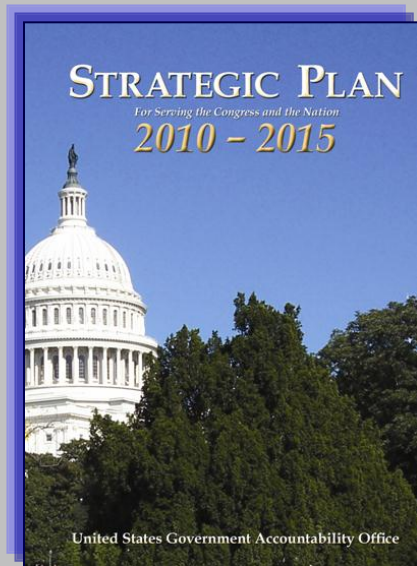
**Federal Enterprise Risk Management Summit  
Arlington, VA  
September 17, 2012**

**Gene L. Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office**

# GAO's Planning & Performance Documents

[www.gao.gov/sp.html](http://www.gao.gov/sp.html)

## Strategic Plan



## Performance Plan

**UNITED STATES  
GOVERNMENT ACCOUNTABILITY OFFICE  
FISCAL YEAR 2010 PERFORMANCE PLAN**

GAO's Mission

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 the Congress and federal agencies on ways to make government work better.

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 mission by providing objective and reliable information and informed analysis to the Congress, federal agencies, and the public, and recommending improvements, when appropriate, on a wide variety of issues. Three core values—accountability, integrity, and reliability—form the basis for all of our work, regardless of its origin.

As a legislative branch agency, we are exempt from many laws that apply to executive branch agencies. However, we generally hold ourselves accountable to the spirit of many of these laws, including the Government Performance and Results Act of 1993 (GPRA). Among other things, GPRA requires "each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency." This section of our budget submission constitutes our performance plan for fiscal year 2010.

Summary of GAO's Fiscal Year 2010 Budget Request

GAO is requesting an appropriation of \$567.5 million in fiscal year 2010 to support a full-time equivalent (FTE) staff level of 3,250 FTEs to provide the staff capacity and infrastructure to support the continuing high congressional demand for GAO services. This request represents an increase of about \$36.5 million, or 6.9 percent, over our fiscal year 2009 appropriation, and a 3.5 percent increase over our fiscal year 2009 staffing level of 3,141 FTEs. This request represents a prudent increase that will strengthen our capacity to provide timely support to the Congress in confronting the difficult array of challenges facing the nation.

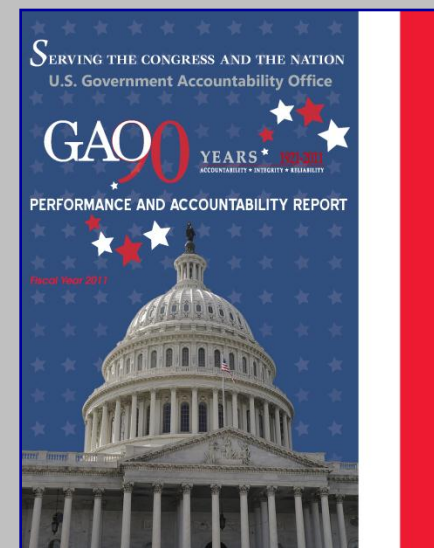
**Table 2: Fiscal Year 2009 - 2010 Source of Funds**  
(Dollars in thousands)

Funding source	FY 2008 actual		FY 2009 revised estimate		FY 2010 budget request	
	FTEs	Amount	FTEs	Amount	FTEs	Amount
Appropriation		\$561,540		\$531,000		\$567,437
Offsetting collections		7,368		7,425		12,252
<b>Total budgetary resources</b>	<b>3,081</b>	<b>\$568,908</b>	<b>3,141</b>	<b>\$538,425</b>	<b>3,250</b>	<b>\$582,719</b>

Source: GAO.

GAO-09-304SP      GAO's Fiscal Year 2010 Performance Plan      1

## Performance & Accountability Report



# Strategic Planning Framework: Mission Goals

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

- 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

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

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

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

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

# Risk Management: Targeting the Right Work at the Right Time

- Trends affecting the United States and government
- Governmentwide high risks
- Providing valuable work with good return on investment

# Trend 1: Threats Confronting U.S. National Security Interests

- Regional instability (Middle East, Asia, Africa)
- Evolving threats (violent extremism; terrorism; proliferation of weapons; cybersecurity)
- Changing global conditions (energy, water and food security; climate change; global fiscal issues)
- Need for new capabilities amid increasingly constrained resources

# Trend 1: Threats Confronting U.S. National Security Interests

## Related GAO work

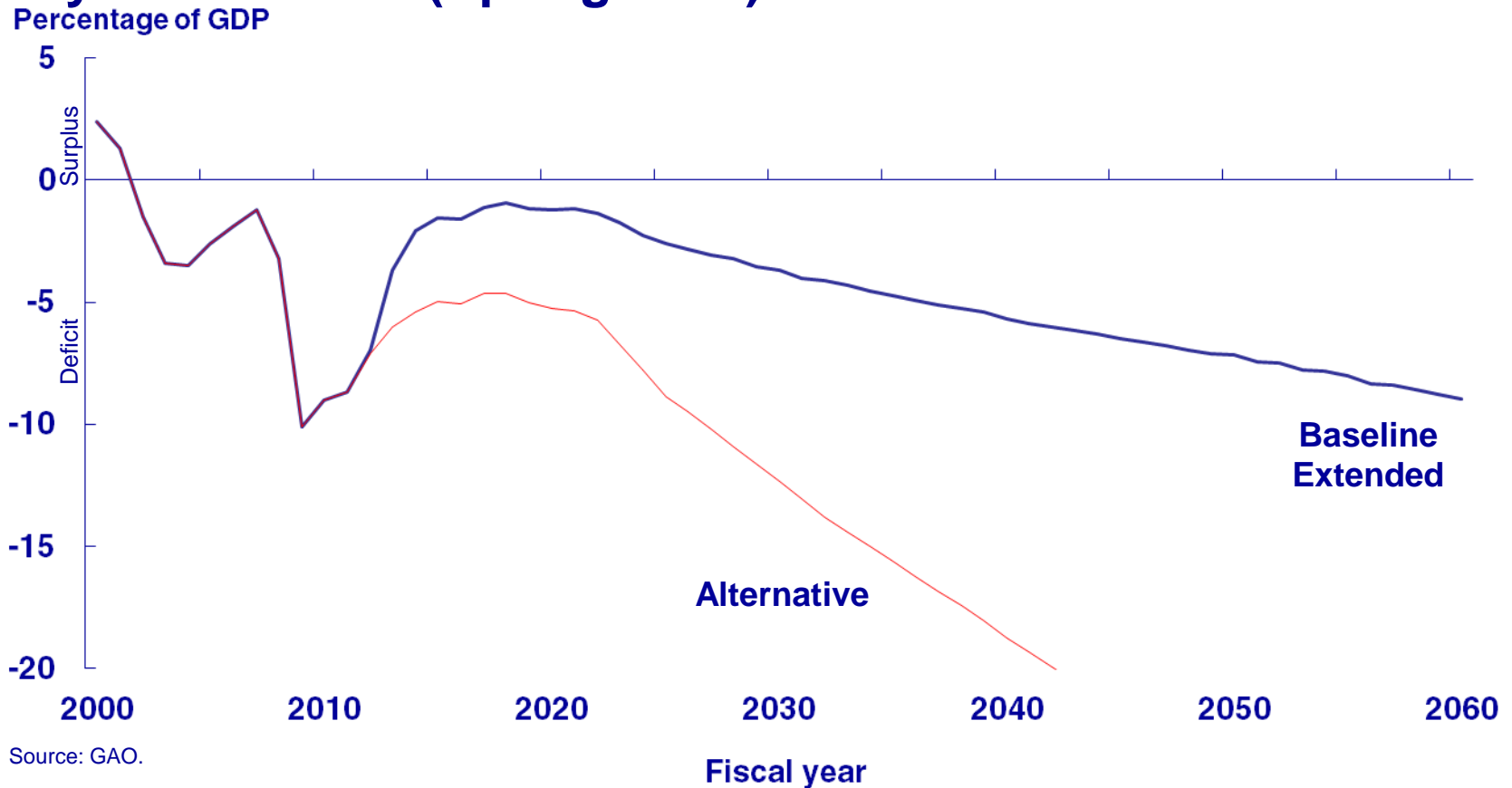
- Reviewing U.S. security and reconstruction efforts related to **Afghanistan** and other regions in conflict.
- Assessing U.S. efforts to combat **terrorism** abroad, including assistance to **Pakistan and Yemen**.
- Reviewing the government's efforts to identify and act on credible **threats to homeland and border security**, as well as those involving biological, chemical, and nuclear dimensions.
- Analyzing **military readiness** and the funding and cost of **weapons programs**.
- Evaluate efforts to ensure the reliability, security, and affordability of **energy supply infrastructure**, review efforts related to **water and food security**, and assess the implications of **climate change** for the federal government.

# Related GAO Work: Cybersecurity

- Reviewing the effectiveness of **computer and network security** at federal agencies to better ensure the protection of government and personal information.
- Assessing key national threats, such as **IT supply chain security**, cybersecurity for **critical infrastructure protection**, the security of **mobile devices**, and cybersecurity for implantable **medical devices**.
- Assessing cybersecurity challenges for the modernized electrical grid, known as the “**smart grid**”.
- Reviewing the **national cybersecurity strategy** and its implementation by key agencies.
- Assessing the extent to which federal agencies have addressed cybersecurity **human capital needs**.

# Trend 2: Fiscal Sustainability and Debt Challenges

## Federal Budget Surpluses and Deficits under Different Fiscal Policy Simulations (Spring 2012)



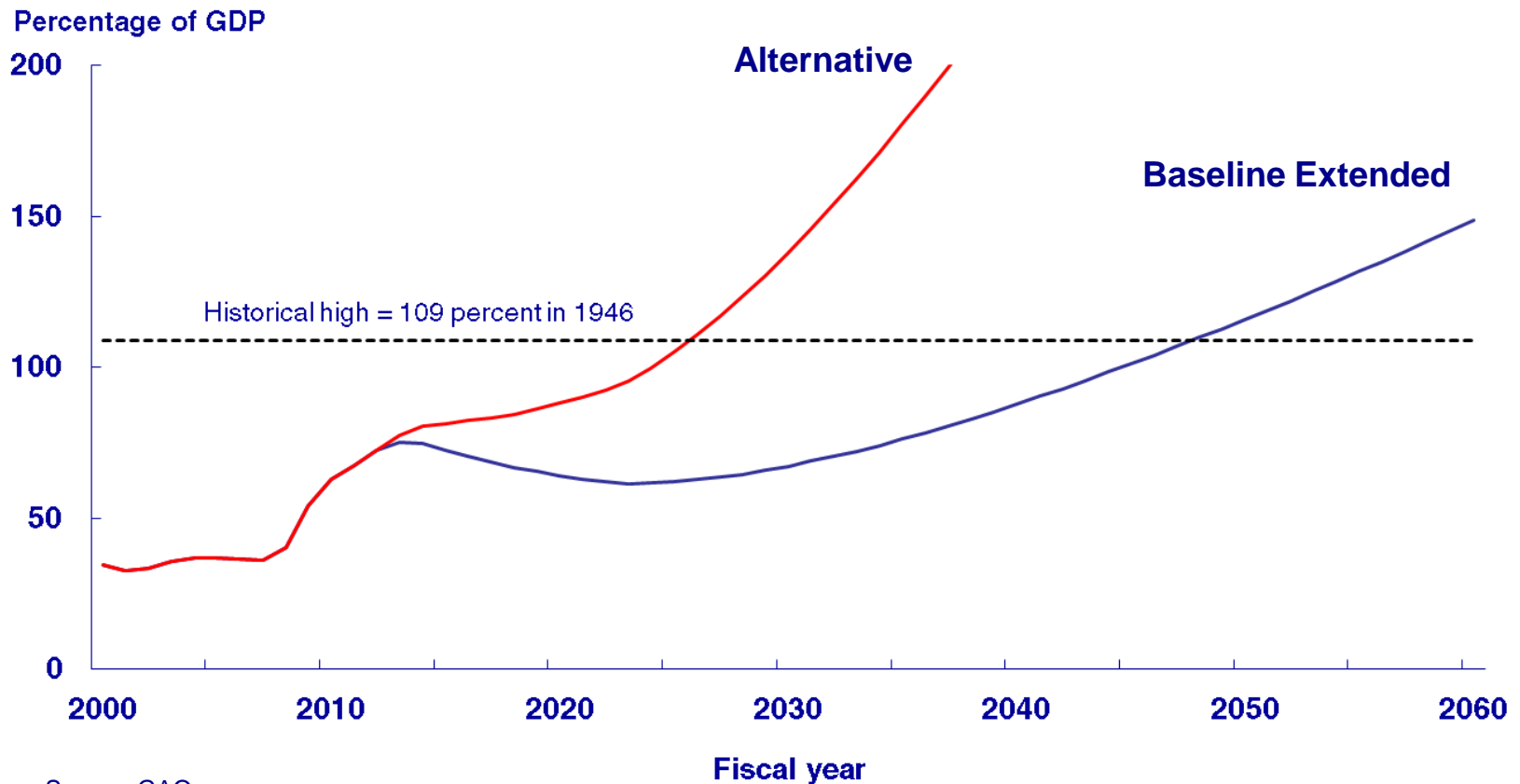
Source: GAO.

Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.



# Trend 2: Fiscal Sustainability and Debt Challenges

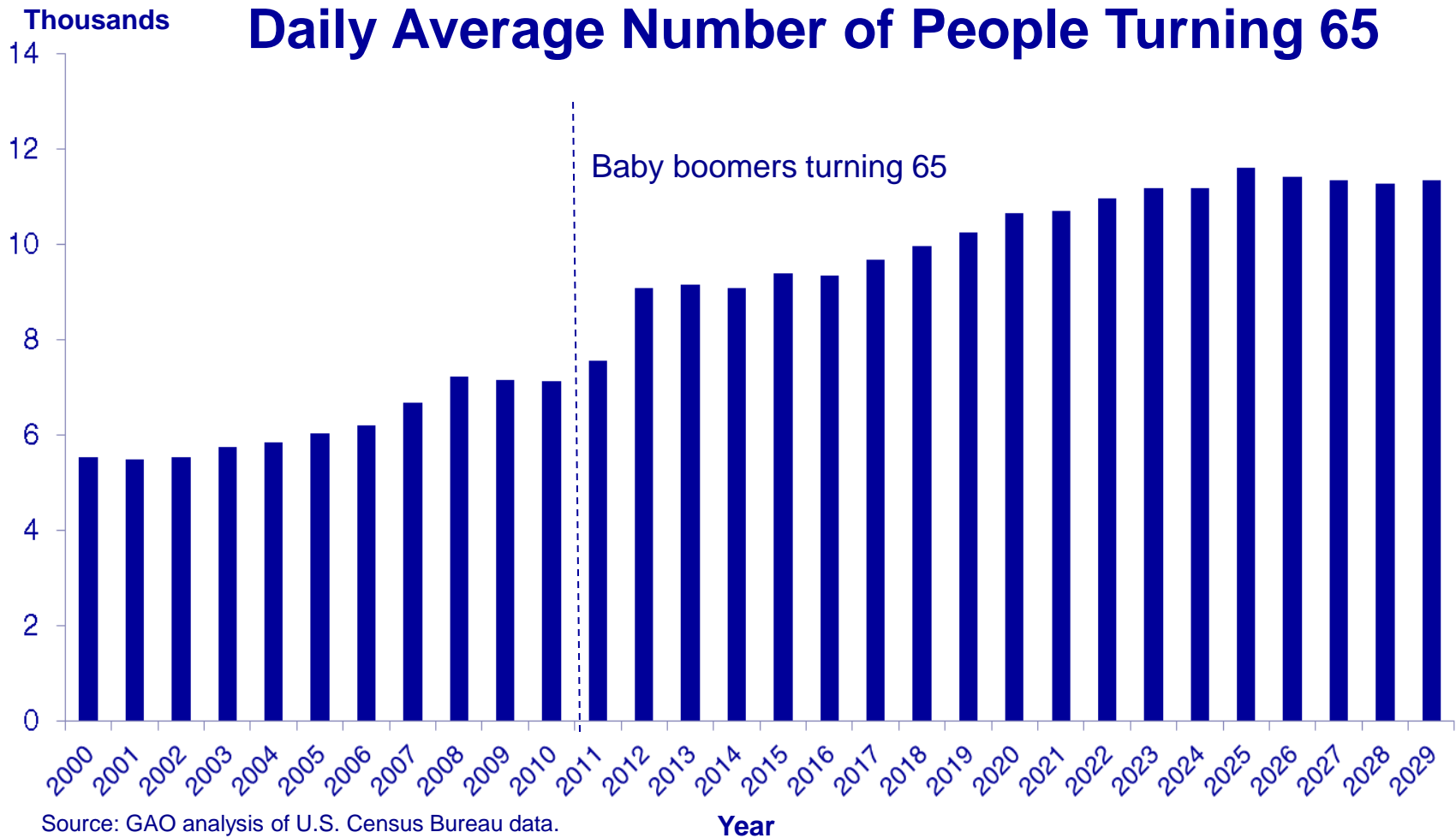
## Debt Held by the Public Under Two Fiscal Policy Simulations



Source: GAO.

Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

# Trend 2: Fiscal Sustainability and Debt Challenges

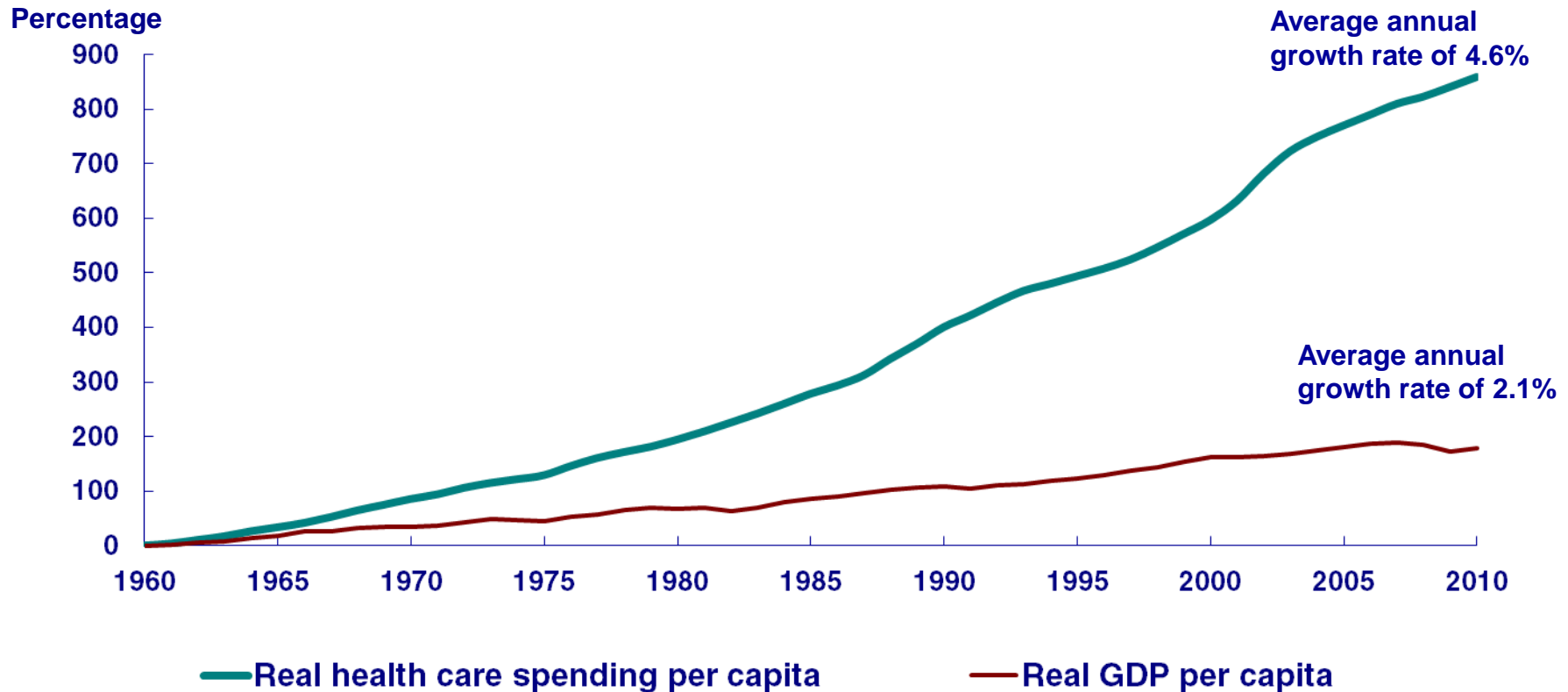


Source: GAO analysis of U.S. Census Bureau data.

Note: Data are from the U.S. Census Bureau's National Population Projections. For this analysis, we used data from the low net international migration series.

# Key Drivers of the Long-Term Fiscal Challenge: Growth in Health Care Spending

Cumulative Growth in Real Health Care Spending Per Capita and Real GDP Per Capita, 1960-2010

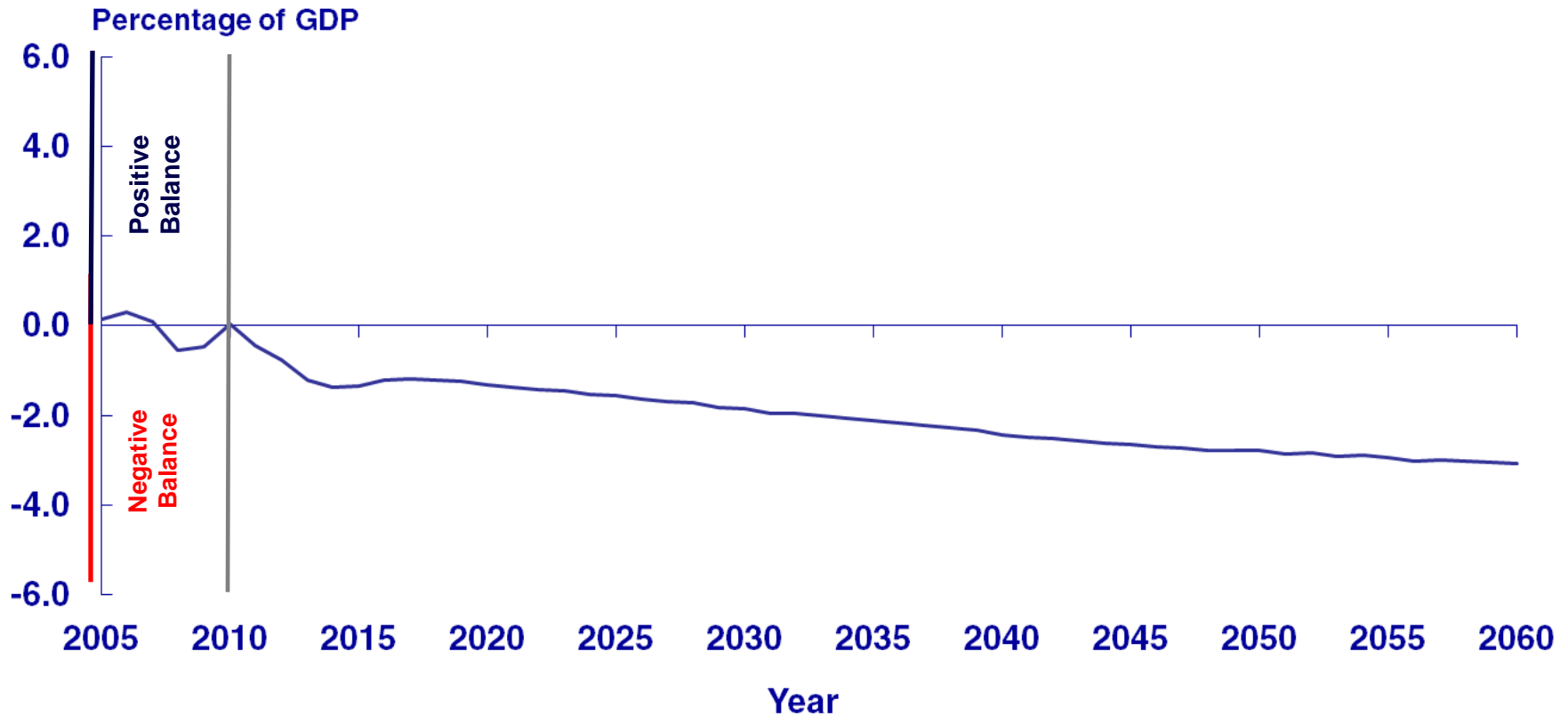


Source: GAO analysis of data from the Centers for Medicare & Medicaid Services, Office of the Actuary, and the Bureau of Economic Analysis.

Note: The most current data available on health care spending per capita are for 2010.

# Trend 2: Fiscal Sustainability and Debt Challenges

## State and Local Operating Balance Measure, as a Percentage of Gross Domestic Product



Source: GAO simulations, updated April 2012.

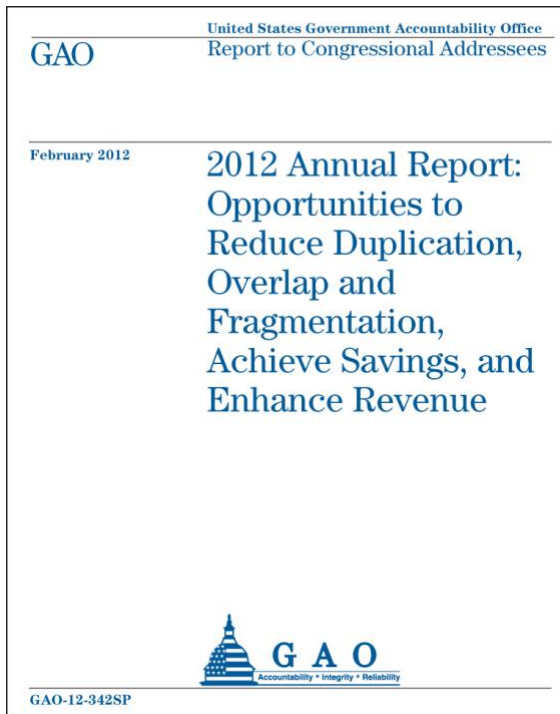
Note: Historical data are from the Bureau of Economic Analysis's National Income and Product Accounts from 1980 to 2010. Data in 2011 are GAO estimates aligned with published data where available. GAO simulations are from 2012 to 2060, using many Congressional Budget Office projections and assumptions, particularly for the next 10 years. Simulations are based on current policy.

# Trend 2: Fiscal Sustainability and Debt Challenges

## Related GAO work

- Performing long-term **fiscal simulations** and analyses of federal **deficits**, federal **debt levels**, and the **state and local sector**.
- Identifying elements to help address the nation's **financial challenges** including Social Security, Medicare, Medicaid, tax reform, retirement, and disability programs; opportunities to reduce spending; and reducing the gap between taxes owed and taxes collected.
- Performing **financial statement audits** (IRS, Schedule of Federal Debt, Consumer Financial Protection Bureau, FDIC, FHFA, SEC, Consolidated Financial Statements).
- Identifying and recommending solutions to reduce the risk of **waste, fraud, and abuse** and **improper payments**.
- Conducting work to assess **duplication and overlap** among federal programs and agencies.

# 2012 Annual Report on Duplication, Overlap, and Fragmentation



- 32 areas where agencies, offices, or initiatives have similar or overlapping objectives or provide similar services to the same populations; or where government missions are fragmented across multiple agencies or programs.
- 19 additional areas describing other opportunities for agencies or Congress to either reduce the cost of government operations or enhance revenue collections for the Treasury.
- Collectively, we identified about 130 actions that the executive branch or Congress could take. Depending on the extent of actions taken, these savings and revenues could collectively result in billions of dollars in savings.

# Examples of Duplication, Overlap, and Fragmentation Issues in 2012 Annual Report

## Duplication, Overlap, or Fragmentation



Overlap in Unmanned Aircraft Systems programs



Overlapping and fragmented housing assistance programs



Potentially duplicative information technology investments



Multiple overlapping Science, Technology, Engineering, and Math education programs



Duplicate facility risk assessments at federal facilities

# Examples of Cost Saving or Revenue Enhancement Issues in 2012 Annual Report

## Cost Saving or Revenue Enhancement



Better detection of Medicaid and Medicare improper payments



Opportunities to reassess and adjust federal user fees



Opportunities to reduce the gap between taxes owed and paid

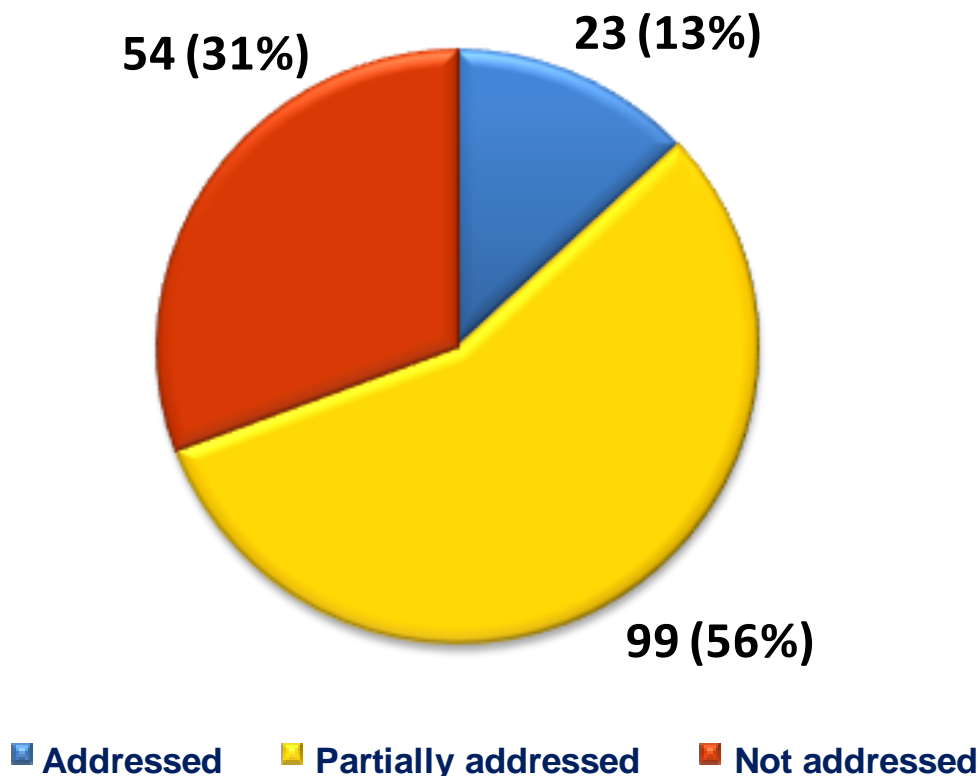


Options to market excess depleted and natural uranium inventories



# Duplication, Overlap, and Fragmentation: Status of 176 Actions in 2011

The majority of 176 actions needed within the 81 areas identified by GAO have been partially addressed.



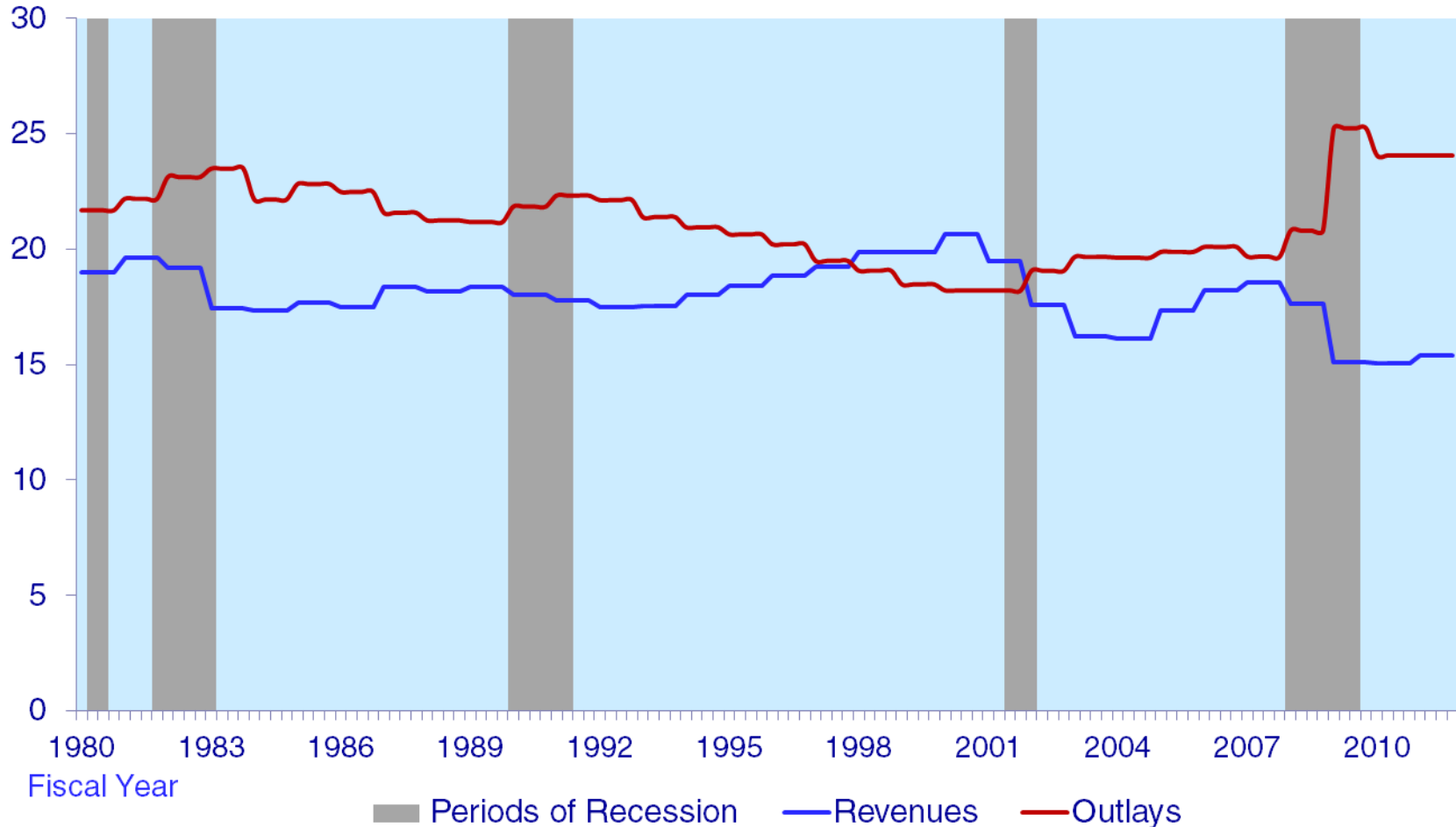
Source: GAO analysis, as of February 10, 2012

# Trend 3: Economic Recovery and Restored Growth

- Different scenarios for economic recovery
- Replacement of lost jobs
- Role of consumers
- Housing and commercial real estate
- The timing of fiscal & monetary support

# Recession Affects the Federal Budget 1980-2011

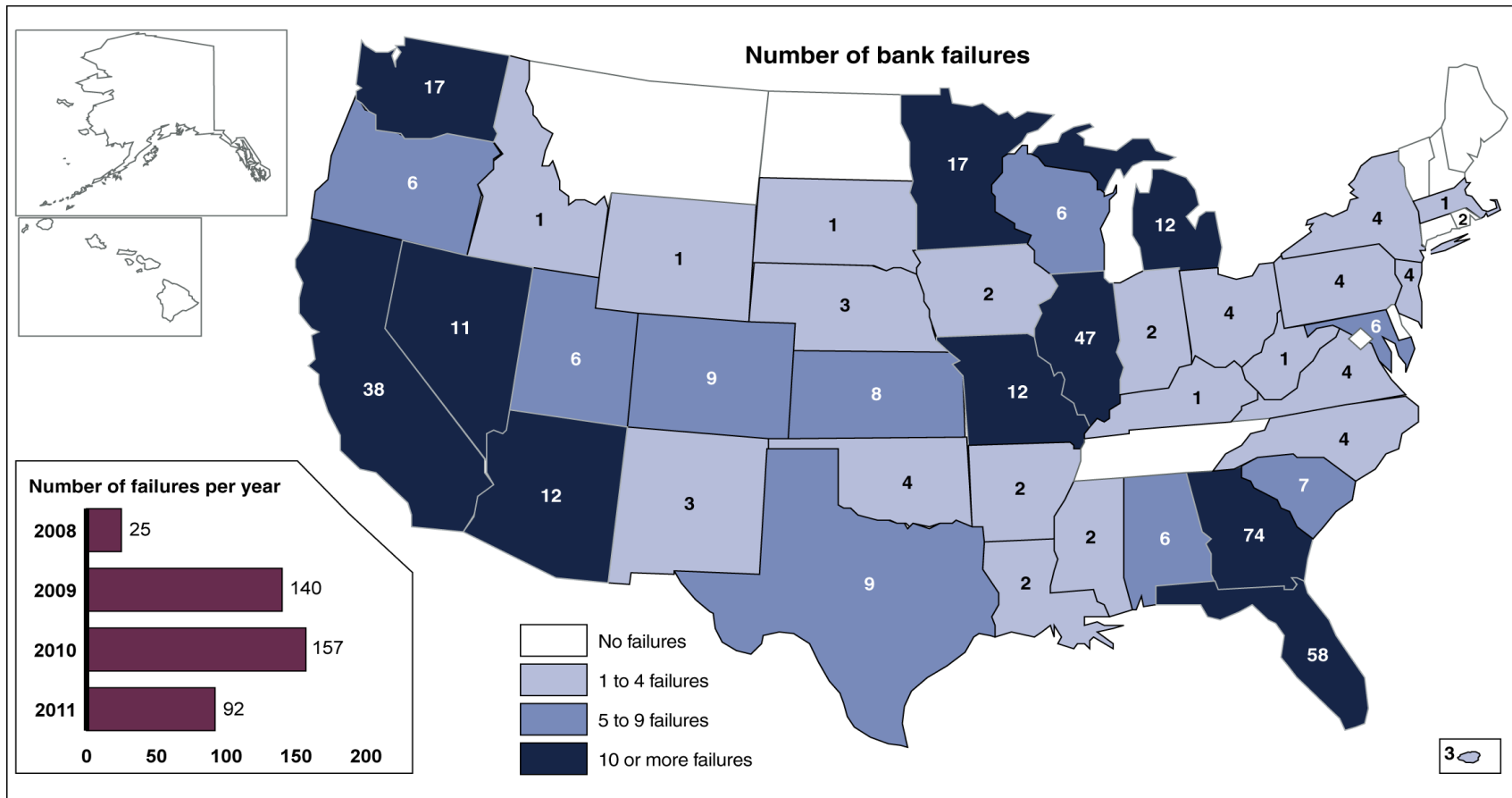
Percentage of GDP



Source: CBO, National Bureau of Economic Research.

# GAO and FDIC's Ongoing Reviews of Bank Failures

## Number of Bank Failures (2008-2011) by State and by Year



Source: GAO Analysis of FDIC data. Map: Map Resources

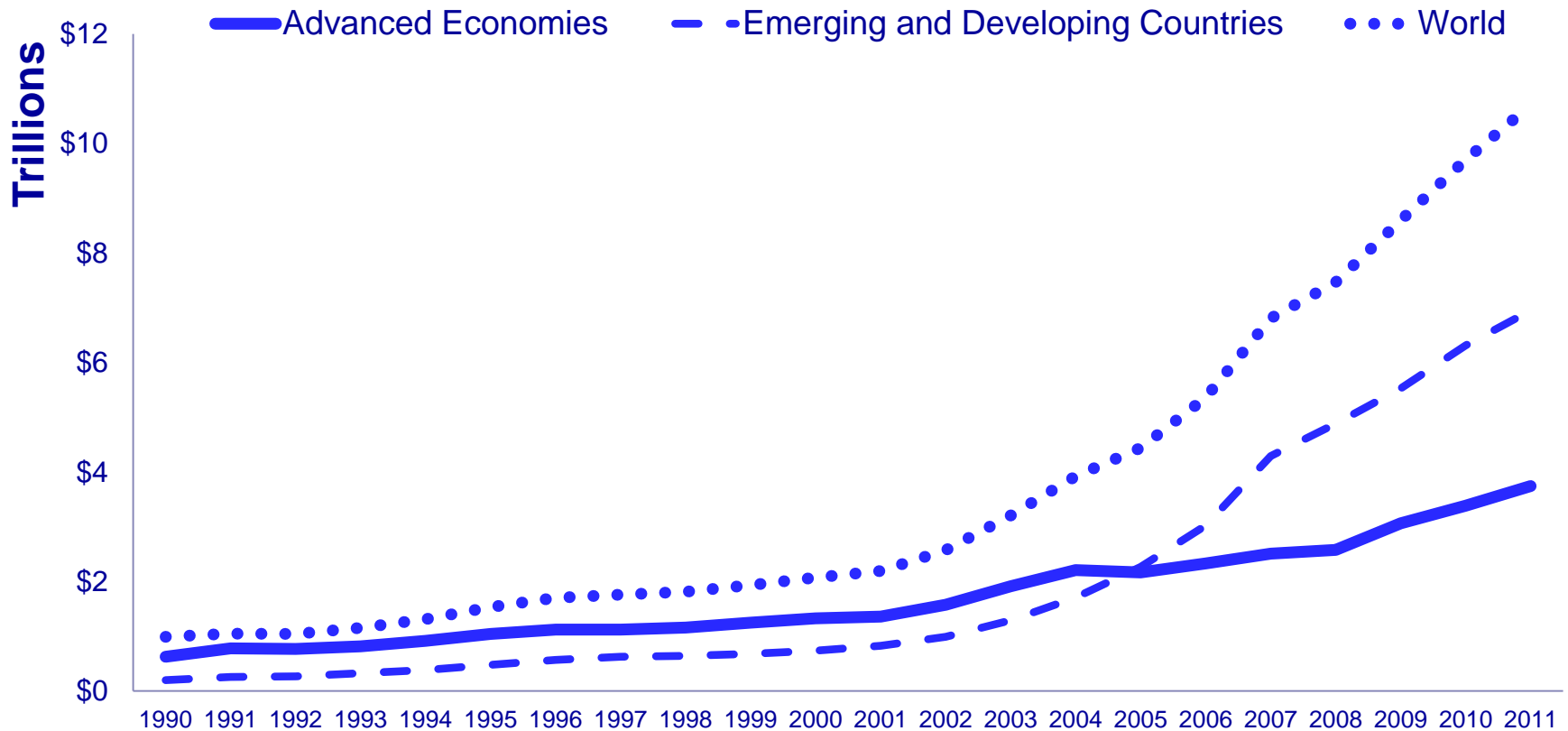
# Trend 3: Economic Recovery and Restored Growth

## Related GAO work

- Assessing the effectiveness of **financial and regulatory reform** efforts, especially with respect to ensuring the stability of the overall banking, housing, and financial markets.
- Monitoring and evaluating various **federal assistance programs** designed to **stabilize U.S. financial markets** and **boost the economy**, including investments in infrastructure and job expansion.
- Continuing to perform our responsibilities under the **Recovery Act**.
- Providing analysis on the functioning of the mortgage market and the ongoing role of **Fannie Mae** and **Freddie Mac**.
- Monitoring services to assist **job seekers** and supports for **low-income families**.

# Trend 4: The Changing Dynamics of Global Interdependence

## International Reserves in Developing & Emerging Economies Have Increased Beyond Those in Advanced Economies



Source: GAO analysis of International Monetary Fund data.

# Trend 4: The Changing Dynamics of Global Interdependence

## Related GAO work

- Understanding the effects of a **global supplier base** on U.S. national security interests and evaluating the effectiveness of programs to **protect critical technologies**.
- Evaluating efforts to ensure a **safe food supply**.
- Evaluating the effectiveness of federal programs to prevent, prepare for, and respond to **public health emergencies**.
- Evaluating the effectiveness of **international food security** and food aid delivery.
- Assessing U.S. **export promotion** programs and other **trade-related efforts** to stimulate the economy.
- Analyzing **energy** market regulation, competition, and information.

# Trend 5: Advances in Science and Technology

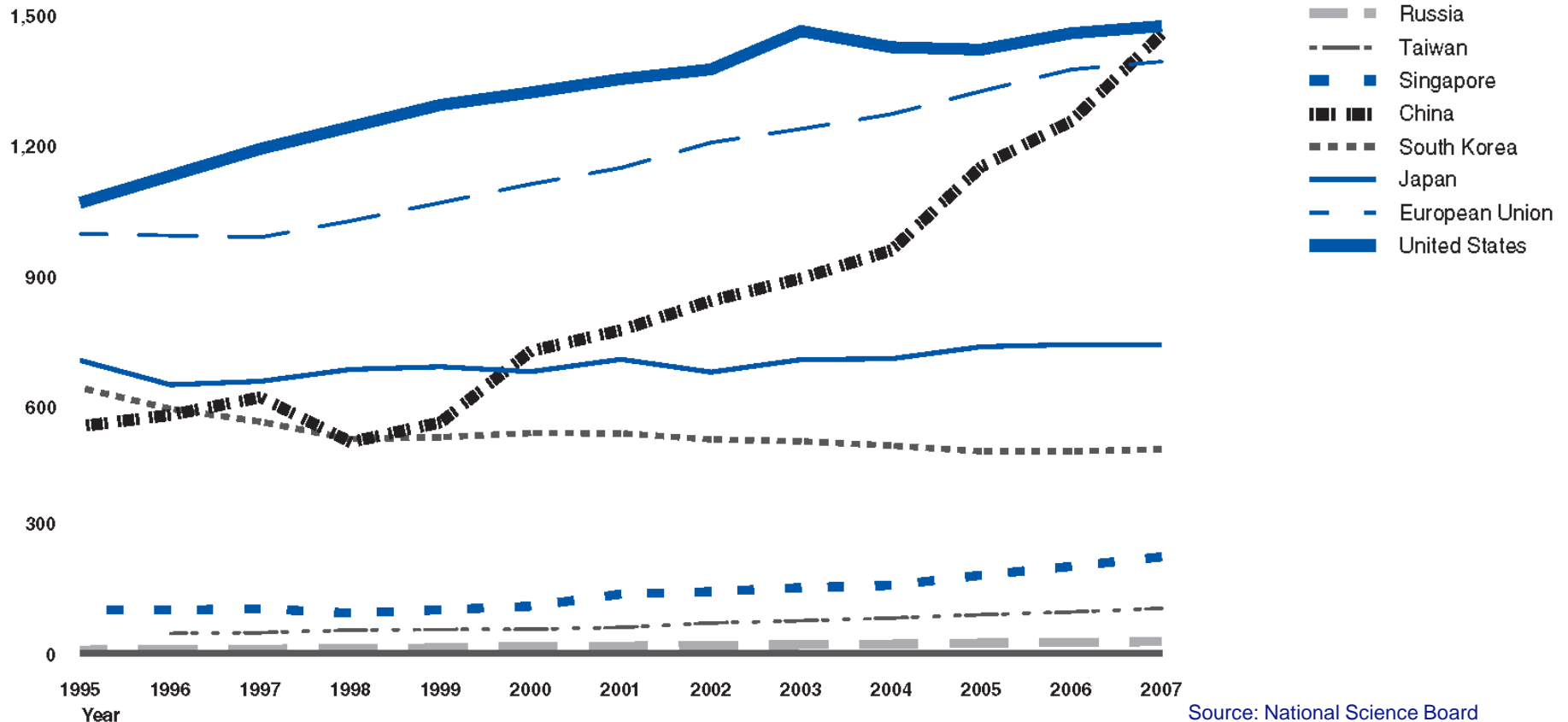
- Nanotechnology
- Biomedical technology
- Information technology
  - Quantum computing
  - Cloud computing
  - Virtualization technologies
  - Health IT



# Trend 5: Advances in Science and Technology

## China Has Caught Up to the United States in Terms of the Number of Scientific Researchers

Full-time equivalents (in thousands)



Source: National Science Board

Note: 2007 data for United States are estimated based on annual growth rate between 1995 and 2006.

# Trend 5: Advances in Science and Technology

## Related GAO work

- Performing specialized studies and **technology assessments** of a wide range of science and technology issues, such as **climate change**, radiation detection systems, biotechnology, border security, the challenges of developing sophisticated **space and defense systems**, and **renewable and sustainable energy**.
- Assessing the government's planning, implementation, and use of **IT**, including **cloud computing** and data center consolidation.
- Examining federal funding for environmental, health, and safety research related to **nanotechnology**.
- Reviewing plans and recent actions to meet future **spectrum** needs.
- Assessing the management and results of the **federal investment in science and technology** and the effectiveness of efforts to protect **intellectual property**.
- Reviewing federal efforts to safeguard student aid dollars while ensuring access to and **affordability of higher education**.

# Trend 6: Increasing Impact of Networks and Virtualization

- Less-expensive technology that is increasingly more powerful
- Greater prevalence of wireless networks
- More powerful portable devices
- Increased collaboration and sharing at home, in school, and at work
- Consumers are becoming content creators
- Location and time independence (telework, virtual meetings)

# Trend 6: Increasing Impact of Networks and Virtualization

## Related GAO work

- Assessing federal efforts to promote affordable access to **telephone** and **broadband Internet** services.
- Reviewing the management of **government telecommunications** and **interconnected systems** and federal agencies' effectiveness in providing secure, reliable, and fast Internet and Web connections.
- Assessing DOD and DHS's efforts to enhance the resiliency of **critical national assets, networks, and systems**.
- Analyzing and supporting efforts to improve the **federal workforce** infrastructure.

# Trend 7: Shifting Roles in Government and Governance

- Evolving roles for the public, private, and NGO sectors
- Contracting
- State and local government
- Non-profit and non-governmental organizations

# Trend 7: Shifting Roles in Government and Governance

## FY 2011 Total Contract Obligations: \$538 Billion

TOTAL OBLIGATIONS OF PRODUCTS AND SERVICES



Dollars (in billions)

■ Civilian ■ Defense

Source: GAO analysis

\*Services data does not add up to \$325 billion due to rounding.

# Trend 7: Shifting Roles in Government and Governance

## Related GAO work

- Assessing the government's strategy for managing its **reliance on contractors** to ensure that agencies determine the right mix of as well as proper roles and responsibilities for government and contractor employees.
- Identifying ways to **improve the acquisition of goods and services** by federal agencies.
- Identifying opportunities to improve the coordination, collaboration, and governance of **networks of governmental and nongovernmental organizations** to address complex national issues.
- Focusing on major areas that are at **high-risk**, including the **U.S. Postal Service's financial condition**, and on implementation of Government Performance and Results Act (GPRA) Modernization Act of 2010.

# GPRA Modernization Act Goals

- Adopting a more coordinated and crosscutting approach to achieving common goals
- Addressing weaknesses in major management functions
- Ensuring performance information is both useful and used in decision making
- Instilling sustained leadership commitment and accountability for achieving results
- Engaging Congress in identifying management and performance issues to address



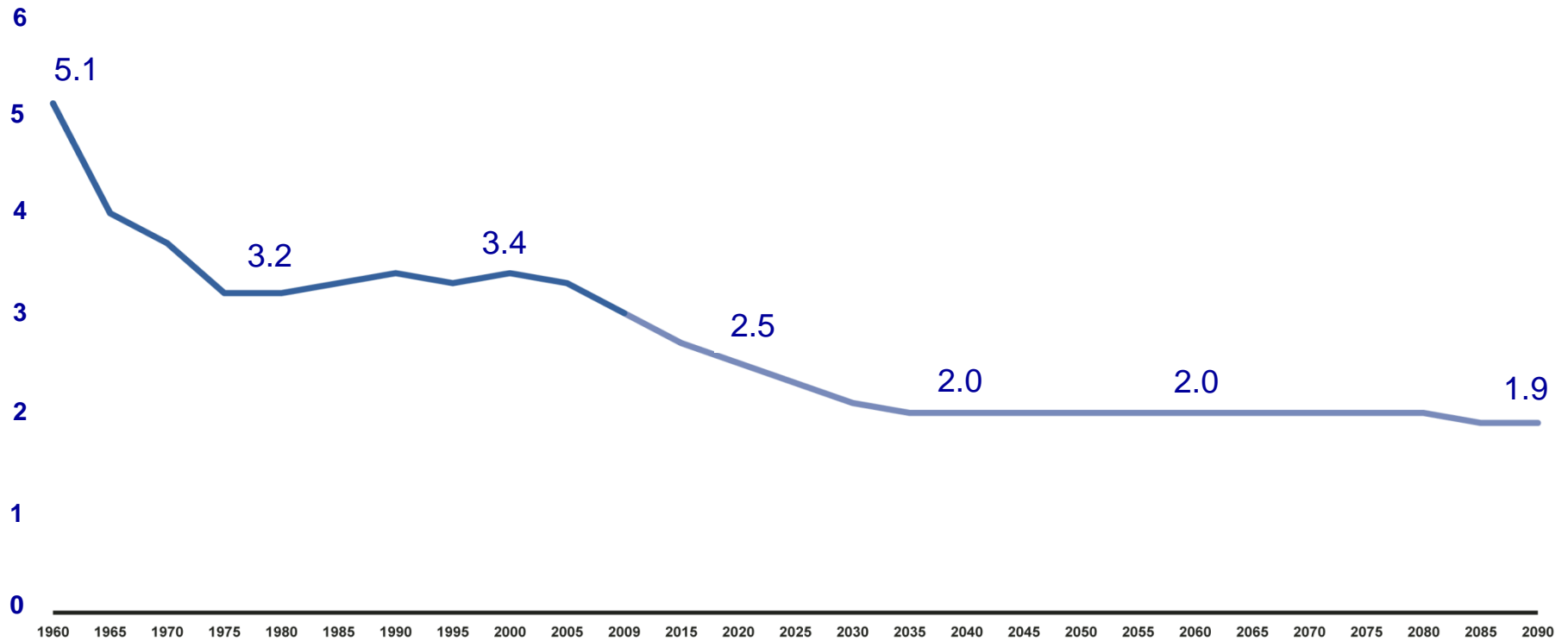
# GAO's Role in Evaluating Implementation of the Modernization Act

- The act includes provisions requiring GAO to evaluate implementation over time:
  - By June 2013, GAO is to report on implementation of the act's planning and reporting requirements at both the governmentwide and agency levels
  - By September 2015 and 2017, GAO is to evaluate whether performance management is being used by federal agencies to improve results
  - Also by September 2015 and 2017—and every 4 years thereafter—GAO is to evaluate implementation of the federal government priority goals and performance plans, and related reporting requirements

# Trend 8: Demographic and Societal Changes Confronting Young and Old

## Fewer Workers Will Be Supporting Each Retiree

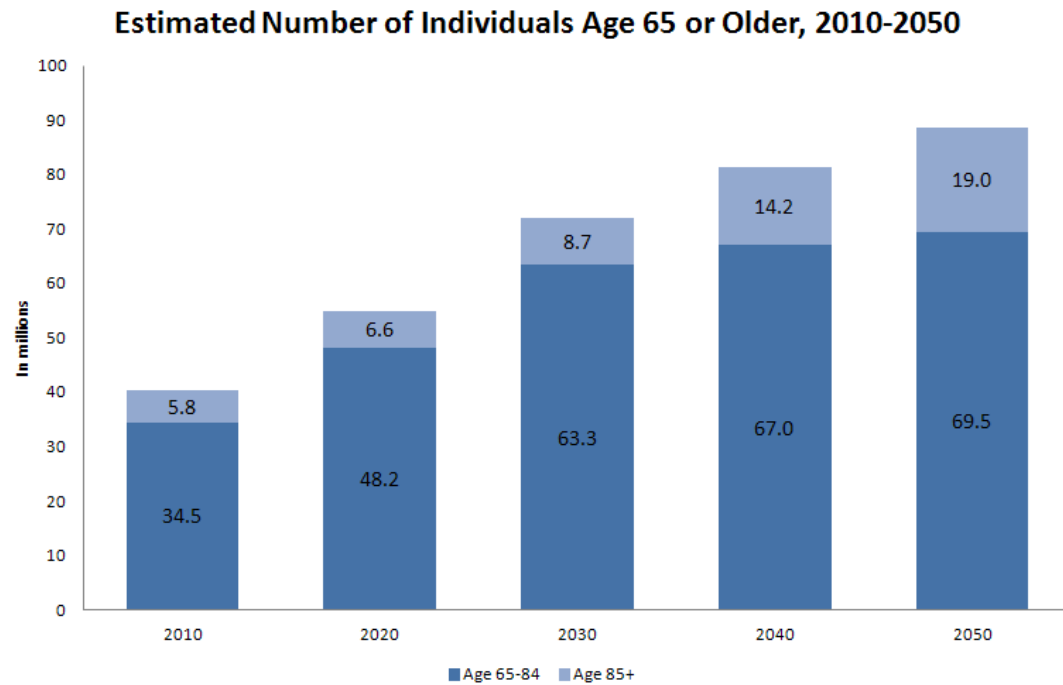
Covered workers per OASDI beneficiary



Source: 2012 OASDI Trustees Report.

# Trend 8: Demographic and Societal Changes Confronting Young and Old

- Number of older Americans is projected to more than double between 2010 and 2050.
- Changing demographics also translates to increased numbers of individuals with disabilities.



# Trend 8: Demographic and Societal Changes Confronting Young and Old

## Related GAO work

- Supporting **health care financing and reform efforts** through analyses of Medicare, Medicaid, and other health programs.
- Assessing policy and administrative challenges to the federal government in providing for **Americans' financial security in retirement**, as well as options and strategies to help individuals ensure **retirement security** for themselves and their families.
- Assessing financial and administrative challenges to providing **employer-sponsored pensions** and retaining older Americans in the workforce, and their implications for retirement security.
- Evaluating the federal government's efforts to assist communities with **combating crime** and to safely and effectively manage a **growing federal prison population**.

# Governmentwide Risk: GAO's High-Risk List

- Begun in 1990s – areas most in need of reform or most vulnerable to fraud, waste, abuse, and mismanagement
- 30 areas currently on list; next update January 2013
- Helps focus attention of both agencies and the Congress on needed actions
- Criteria
  - Weaknesses or deficiencies in programs of national significance, management functions, or operations
  - Inherent risks or systemic problems
  - Qualitative & quantitative factors

# GAO's High-Risk List: Emphasis on Solutions

- Goal is to have programs move off the list
- 2011 Update & web site contain expanded information on actions needed to resolve identified issues
- Over 30 meetings with agency and OMB leaders
- Numerous additional meetings with other GAO participants at all levels
- Solutions to high-risk problems offer the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. government.

# Measuring Performance, Results, and Return on Investment

- Balanced set of quantitative measures in four key areas:
  - Results (e.g., financial benefits, non-financial benefits, recommendations implemented, new products with recommendations)
  - Client (e.g., timeliness, number of testimonies)
  - People (e.g., retention rate, staff utilization)
  - Internal Operations (e.g., quality of work life)
- Annual Performance and Accountability Report
  - Return on investment

## On the Web

Web site: <http://www.gao.gov/>

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