

Testimony of Daniel I. Werfel
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before the

Subcommittee on Government Management, Organization, and Procurement
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With the rising cost of entitlement programs expected to create an unprecedented and enormous fiscal imbalance for the Federal Government in the coming decades, achieving our financial management goals is more critical today than any other time in our nation's history. The financial management community is not only responsible for reporting on the extent and nature of our fiscal challenges, it also plays a critical role in developing and implementing strategies to control Federal spending and otherwise ensure that the fiscal health of the Federal Government remains sound.

We must ensure that the Federal financial community is well positioned to meet these challenges. Clear financial management goals are in place, including the attainment of clean financial statement audit opinions¹, elimination of material weaknesses in internal controls², issuance of timely financial reports, disposal of unneeded real property, and the elimination of improper payments. To build on the recent and unprecedented results achieved by Federal agencies in each of these areas, Federal managers must:

- strengthen accounting practices in high-risk areas such as inventory and fund balances;
- strengthen internal controls in areas where mission and organizational risks are highest;
- issue more transparent, readable, and relevant financial reports for both public stakeholders and agency decision-makers; and
- improve the integrity and accuracy of Federal payments and eliminate other forms of waste, such as the misuse of government charge cards.

In addition, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), and Congress must work together to ensure that the financial management requirements we impose on Federal agencies strike an appropriate balance between the costs of agency efforts with the benefits they ultimately deliver for the taxpayer. The approaching twenty-year anniversary of the Chief Financial Officers (CFO) Act of 1990 provides an opportunity for a thorough evaluation of the current legislative and regulatory requirements and identification of alternative approaches that improve the value of Federal financial activities.

¹ A clean audit opinion serves as an indicator that the financial statements of that Federal department or agency are reliable and can be depended upon to communicate the true nature of that department's/agency's financial position.

² A material weakness occurs when the underlying processes and systems supporting the financial statements do not adequately mitigate the risk of presenting unreliable and flawed financial information.

Status of Federal Agency Financial Reporting

In fiscal year (FY) 2007, Federal agencies improved the readability, validity, and timeliness of their financial information. To enhance readability, OMB conducted a pilot where participating agencies explored different formats for enhancing the presentation of financial and performance information contained in their consolidated Performance and Accountability Reports (PAR). One of the more successful products of the pilot was a “Highlights” document that contained performance and financial information in a brief, user-friendly format. We intend to make further improvements to the pilot in FY 2008 by initiating a three-tiered reporting structure:

- A two-page summary that provides the reader with a quick snapshot of agency results;
- A 25-page Citizens’ Report that, while still a summary, provides a more comprehensive view of agency mission, key goals, how funds are spent, performance relative to goals, and actions they plan to take to build on successes or address shortcomings; and
- The comprehensive PAR, which provides exhaustive and complete details on relevant financial and performance data.

Federal agencies are also making progress in improving the reliability and timeliness of the financial information being reported. Specifically, the following results were achieved in FY 2007:

- Of the 24 major Federal agencies, 80 percent received clean audit opinions.
- For the third consecutive year, all major Federal agencies issued their audited financial statements 45-days after the end of the fiscal year, compared to the previous five month (150 days) reporting deadline.
- The total number of material weaknesses government-wide declined from 41 to 39. This is the fourth year in a row that material weaknesses have declined, with a more than 35% decrease in weaknesses since 2001.
- Five additional agencies received a clean audit opinion with no material weaknesses which brings the total number of agencies realizing this important accomplishment to 13, up from just seven in 2001.³

To ensure that all agencies are on a path to financial management excellence, we continue to monitor Federal agencies’ progress in eliminating material weaknesses and improving other critical financial management processes. OMB works with the Department of Defense, the Department of Homeland Security and other agencies with significant financial management challenges to ensure that they are making steady progress on sound corrective action plans with clear goals and milestones for success. Even so, several areas continue to pose accounting challenges for agencies including fund balance with Treasury,⁴ property, plant, and equipment,

³ The thirteen agencies are the Departments of Justice, the Interior, Energy, Commerce, Education, Labor, the Small Business Administration, the Environmental Protection Agency, the General Services Administration, the National Science Foundation, the Office of Personnel Management, the Social Security Administration, and the U.S. Agency for International Development.

⁴ Similar to checking accounts at banks, the Agencies’ Fund Balance with Treasury accounts represents the status of funds agencies have with the U.S. Treasury for which they are authorized to make payments against (i.e. the net effect of all collections and disbursements).

and inventory. The proper accounting and reporting of this financial information enables agencies to better manage costs and resources for accomplishing their programs and mission. Further, it provides a clear and reliable picture of the agencies' fiscal health to the Congress, public, and other stakeholders.

Status of Government-Wide Financial Reporting

Over the past several years, OMB and the Treasury Department have made progress in improving the reliability and readability of the Financial Report of the United States Government ("Financial Report"). The Financial Report aggregates financial information from individual Federal agencies and reports the financial statements for the Federal government as a whole, including the government-wide balance sheet⁵ and the Statement of Social Insurance (SOSI).⁶ Because the Financial Report is one of the primary government reports providing information on the long-term fiscal impacts of rising entitlement costs, it is a top priority of OMB and the Treasury Department to ensure the public can both understand and trust the information contained in the Financial Report.

Similar to the "Highlights" documents created by agencies under the PAR pilot, OMB and the Treasury Department issued a summary version of the Financial Report for the first time in FY 2007. *The Government's Financial Health: A Citizen's Guide to the 2007 Financial Report of the United States Government*⁷ provides readers an eight-page version of the larger, 182-page Financial Report. The Citizen's Guide is an easy to read overview of the U.S. government's short-term and long-term financial outlook and serves as a reference tool for key data and findings in the Financial Report.

This past year, an important milestone was also achieved regarding the reliability of the information contained in the Financial Report – a clean audit opinion on the SOSI. The SOSI is the first of the six principal financial statements to achieve this milestone. This statement, along with the Fiscal Stewardship discussion, are the Report's primary sources for information on the long-term fiscal impact of Medicare and Social Security costs.

OMB and the Treasury Department are making important progress toward achieving a clean audit opinion on the remaining statements and addressing concerns raised by GAO in its audit of the Financial Report. GAO has identified three critical areas for improvement – eliminating intra-governmental imbalances, improving the process for preparing and consolidating the Financial Report, and working with the Department of Defense to ensure that its net cost of operations and material items on the agency's balance sheet, such as inventory, fund balance with Treasury, and environmental liabilities are reliable and ready for audit. Progress is being

⁵ The balance sheet is a financial statement that depicts what is owned (assets) and owed (liabilities) by the reporting entity.

⁶ The Statement of Social Insurance is a financial statement that depicts the long-term sustainability of social insurance programs by comparing the projected inflows (taxes and other contributions) and outflows (benefit payments) of those programs.

⁷ The Citizens Guide to the Financial Report is available at <http://www.fms.treas.gov/frsummary/frsummary2007.pdf>. A copy of the Citizen's Guide is also attached to this testimony.

made in each of these areas, including OMB's implementation of an intra-governmental "watchlist" where agencies worked together in FY 2007 to resolve more than half of the \$24 billion in unreconciled items included on the original watchlist.

Other Initiatives and Focus Areas

Improvements in financial reporting often translate into measurable results in improving the way the government is managed and taxpayer monies are spent. These benefits are most evident in the areas of improper payments, real property, and charge cards. OMB often refers to these as "areas of public trust" as they serve as a critical indicator for citizens to gauge how well the Federal government is acting as a steward of taxpayer dollars.

Reducing Improper Payments

In the four years of reporting under the Improper Payment Information Act of 2002, the Federal government has demonstrated measurable improvements in reducing improper payments. Notably, the error rate for programs first reporting in FY 2004 declined from 4.4 percent to 3.1 percent (a \$7.9 billion reduction) in FY 2007 and programs first reporting error rates in FY 2005 and 2006 cut improper payments in half by FY 2007 (a \$2.3 billion reduction). To ensure continued success, OMB has proposed a series of legislative reforms that, in total, would generate an estimated \$18 billion in error reduction and savings over 10 years. We applaud the Congress for taking the first step toward enacting some of these key reforms by including discretionary funding (above the "cap") for activities with a proven track record of reducing error and generating program savings in the most recent budget resolution. It will be important for Congress to ensure that these activities are funded in the final FY 2009 appropriations bills and that other legislative proposals for reducing error are enacted.

Managing Federal Real Property

In February 2004, the President issued Executive Order (E.O.) 13327, "Federal Real Property Management" to improve oversight of the \$1.5 trillion in Federal assets. E.O. 13327 is designed to hold agencies accountable for maintaining their real property portfolios at the right size, right condition and right cost. As of December 2007, agencies had disposed of \$7 billion worth of unneeded assets, making significant progress towards meeting the government-wide goal of disposing \$15 billion by fiscal year 2015. However, legislative reform is critical if we are to continue to make progress in this area. As I testified before this Subcommittee in April, we applaud and support Congress' effort to enact real property reform through the introduction of H.R. 5787. This bill would provide a financial incentive for agencies to dispose unneeded assets and provide funding for agencies to invest in repairing and maintaining existing assets, an important step towards addressing the billions in repair backlog as reported by the GAO.

Ensuring Proper Charge Card Use

More than 3.1 million charge cards are in use today across the Federal Government. In FY 2007 alone, more than \$27 billion was spent using these charge cards to purchase goods and services, pay for government employee travel and travel-related expenses, and to acquire fuel and

maintenance services for government vehicles, aircraft, and other equipment. Overall, the Charge Card Program has resulted in approximately \$1.8 billion in annual savings compared to the prior, paper-based, procurement processes. However, a recent GAO report (GAO-08-333) was published highlighting instances of misuse of the Federal charge card. This is a very serious issue that breaches the trust of the taxpayers as well as diminishes the significant benefits that are achieved through the Federal charge card program. OMB is in the process of updating its guidance (Appendix B to Circular No. A-123) to address the GAO findings. However, we believe misuse of the Federal charge card is the exception rather than the rule, and most Federal employees are using government charge cards responsibly.

Looking Ahead

When the CFO Act of 1990 was enacted close to 18 years ago, Congress established three fundamental objectives for Federal financial management:

- (1) **Transparency** – effective reporting of agency finances to the public, including information on the sustainability of government operations and a user-friendly presentation of the cost effectiveness of government programs.
- (2) **Targeted Internal Controls** – policies and procedures that mitigate the most significant areas of financial risk in the organization.
- (3) **Decision Support** – personnel at all levels in the organization with financial information to manage risk and drive better program results.

To lay a foundation for these objectives, the Act required Federal agencies to annually publish audited financial statements and established the position of agency CFO to lead these efforts. As exemplified by results achieved in FY 2007, the Federal CFOs have come a long way towards putting this foundation in place. However, much work remains as the Federal financial community moves beyond the fundamentals of audited financial statements to achieving the broader objectives of the Act.

Transparency. In the realm of public reporting, the Citizens Guide and the PAR pilot represent an important first step in improving the readability of our financial reports. In addition, OMB is working with the Treasury Department, GAO, and the Federal Accounting Standards Advisory Board to refine and improve reporting on the impending fiscal challenges brought on by growing entitlement costs. Specifically, a new financial statement for the Financial Report is under development that would expand on current information in the SOSI, providing a comprehensive picture of fiscal sustainability.

Targeted Internal Controls. Through the revisions to the OMB Circular No. A-123, Management's Responsibility for Internal Control and the creation of its Appendix A that is specific to the internal controls over financial reporting, agencies have implemented a more rigorous assessment process and devoted resources to testing and correcting deficiencies in internal control over financial reporting. This process has yielded favorable results within Federal agencies. As we look for additional opportunities to further improve financial management, we plan to explore possibilities for leveraging the Appendix A framework for

financial reporting to focus on other significant risk areas (e.g., programmatic, mission, administrative) within Federal agencies and government-wide.

Decision Making. As agencies continue to improve their internal controls to support timely and reliable financial information and report that information in the most transparent and digestible format, we also need to ensure that the financial information is relevant and available to Federal managers for day-to-day decision making. While the private and public sectors continue to debate the utility and format of financial statements, the underlying financial information and fiscal disciplines to produce those statements should remain constant. We need to explore opportunities in this area to ensure that the underlying financial information and fiscal disciplines are sound, appropriate, and flexible to not only produce external financial statements, but to also provide relevant financial information to allow Federal leaders to more efficiently manage the day-to-day operations of the government.

As we approach the 20th anniversary of the CFO Act, it is evident that we have come a long way. But we should not stop here. Every tax dollar is too precious not to make well-informed decisions. We will continue to seek opportunities, look at the tools in place for financial reform, and refine the path we are taking as necessary. We look forward to continuing our partnership with Congress and the Government Accountability Office in pursuing fiscal health by holding agencies accountable, improving financial management, addressing our long-term fiscal challenges, and striving for stronger, smarter, and sustainable accountability.

Attachment

The Government's Financial Health: A Citizen's Guide to the 2007 Financial Report of the United States Government

<http://www.fms.treas.gov/frsummary/frsummary2007.pdf>

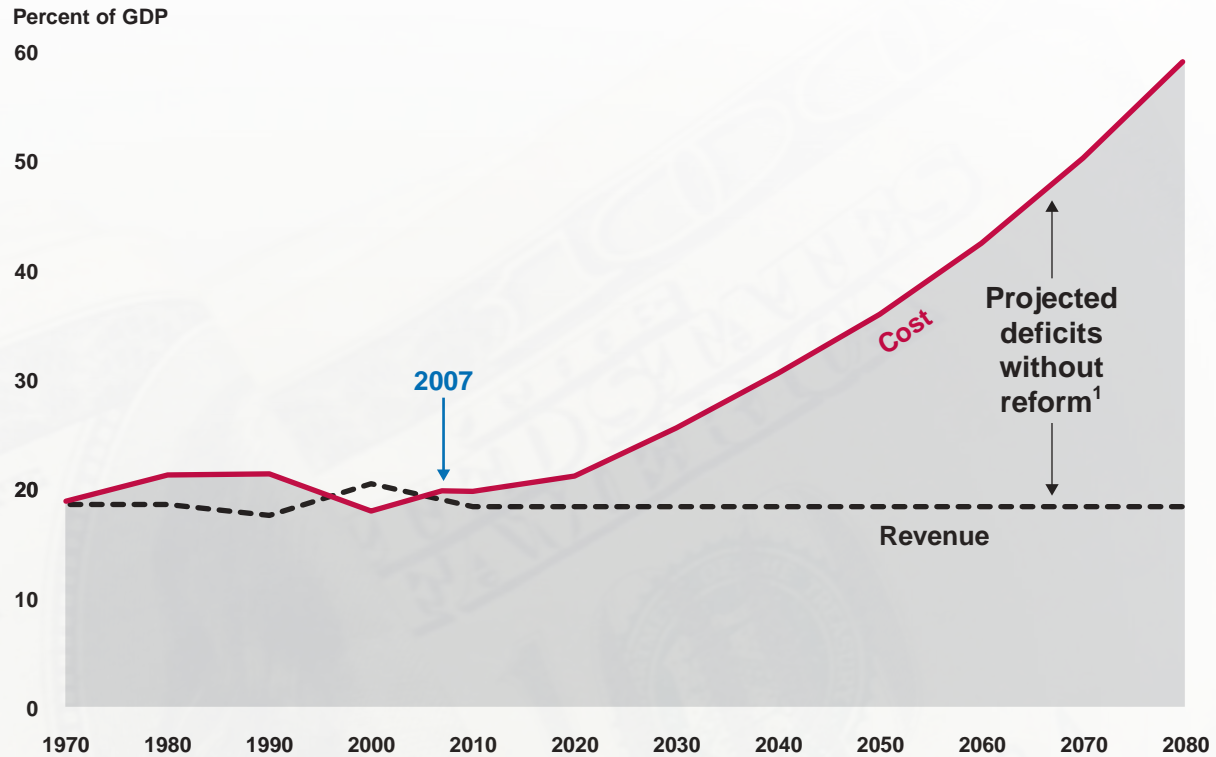


THE FEDERAL GOVERNMENT'S FINANCIAL HEALTH

*A Citizen's Guide to the
2007 Financial Report of the United
States Government*

The Government Is On An Unsustainable Fiscal Path

Chart 1: The Government Is On An Unsustainable Fiscal Path



Key dates

- 2007** Medicare Part A benefit payments began to exceed the program's tax revenue.
- 2017** Social Security benefit payments will begin to exceed the program's tax revenue.
- 2019** Medicare Part A Trust Fund assets will not be enough to pay full benefits. Under current law, benefits would be reduced to 79 percent of scheduled benefits in 2019, declining to 29 percent by 2081.
- 2040** Federal debt held by the public will exceed the historical high of 109 percent of GDP.
- 2041** Social Security Trust Funds' assets will not be enough to pay full benefits. Under current law, benefits for all retirees would be reduced to 75 percent of scheduled benefits in 2041, declining to 70 percent by 2081.
- 2080** Total government cost will be more than three times revenue.

Notes:

1. Projected deficits represent projected cost in excess of revenue, where revenue as a percent of gross domestic product (GDP) is set equal to its historical average and projected cost is based on scheduled Social Security and Medicare benefits and current cost trends. While the precise amounts of the government's financial responsibilities are far from certain—they are based on many complex calculations and assumptions, including life expectancies and health care cost—their magnitude and the need to control them are evident.

2. The dates and events presented above are taken from the 2007 Annual Reports of the Social Security and Medicare Boards of Trustees and the 2007 *Financial Report of the United States Government*.

Overview

This Citizens' Guide (guide) highlights important information in the *2007 Financial Report of the United States Government*.¹ The Secretary of the Treasury, Director of the Office of Management and Budget (OMB), and Comptroller General of the United States believe that the information discussed in this guide is important to all Americans.

While attention has been recently focused on addressing emerging challenges in today's economy, the last 3 years show economic growth and improvement. Revenue went up, deficits went down, and cost stayed fairly constant. But as you can see in chart 1, the government faces a huge fiscal challenge in the years ahead. This year, 2008, is the year in which the first of the approximately 80 million baby boomers—those born between 1946 and 1964—become eligible to draw Social Security benefits. Scheduled Social Security and Medicare benefits together with other federal programs' projected long-term cost are much greater than the resources (revenue and borrowings) available to pay for them.² Unless action is taken to bring program cost in line with available resources, the coming surge of entitlement spending will end in a fiscal train wreck that will have an adverse effect on the U.S. economy and on virtually every American.

Where We Are Now

- Strong growth in individual incomes and corporate profits contributed to 4 consecutive years of tax revenue growth—revenue was up by 46 percent since 2003 to \$2.6 trillion in 2007.³ Social Security and Medicare tax withholdings accounted for almost a third of total revenue in 2007.
- Social Security Trust Funds' revenue exceeded what the government paid out in benefits by \$186 billion in 2007. This surplus was credited to the Trust Funds.
- The government's total operating cost remained relatively constant—\$2.9 trillion in 2006 and in 2007.
- Revenue increases and relative cost stability resulted in a drop in the government's net operating cost—to \$276 billion—and a decline in the unified budget deficit (budget deficit)—to \$163 billion in 2007.
- To fund cumulative budget deficits, the government has borrowed a total of \$5 trillion from the public as of the end of fiscal year 2007. The government has also borrowed excess annual cash flows from the Social Security and Medicare Trust Funds and similar funds to finance other government cost. Including interest, the government owes \$4 trillion to these funds, which is backed by the full faith and credit of the government, resulting in total federal debt of \$9 trillion.

Where We Are Headed

- As baby boomers retire and health care cost continue to rapidly rise, the cost of the Social Security, Medicare, and Medicaid programs will account for a growing portion of government cost.

¹The administration annually issues two complementary reports on the government's finances. *The Financial Report of the United States Government (Financial Report)*, issued by the Department of the Treasury, analyzes how revenue was spent in the fiscal year on programs and services and discusses the government's resulting financial position. Cost is reported at the time an obligation to pay arises rather than when payments are made. The *President's Budget* is the government's primary tool for financial planning and control. It focuses on taxpayers' dollars the government collects, how it uses them to support programs and services, and whether this use results in a surplus or deficit.

²This calculation assumes future government revenue as a percent of GDP is at its average historical rate of about 18 percent, and uses current spending trends to project the cost of federal programs other than Social Security and Medicare.

³The government's fiscal year begins October 1 and ends September 30.

- Absent reforms, the Social Security Trust Funds will be exhausted in 2041 and the Medicare Part A Trust Fund will be exhausted in 2019. Revenue dedicated to these entitlement programs under current law will not be enough to pay for scheduled Social Security and Medicare Part A benefits.
- The projected cost of all federal programs will exceed available resources. Unless the government brings program cost in line with available resources, resulting budget deficits will be so large that the government will not be able to borrow enough to fund them.
- Our children and grandchildren will bear a greater burden of the cost if we delay in implementing fundamental reforms.

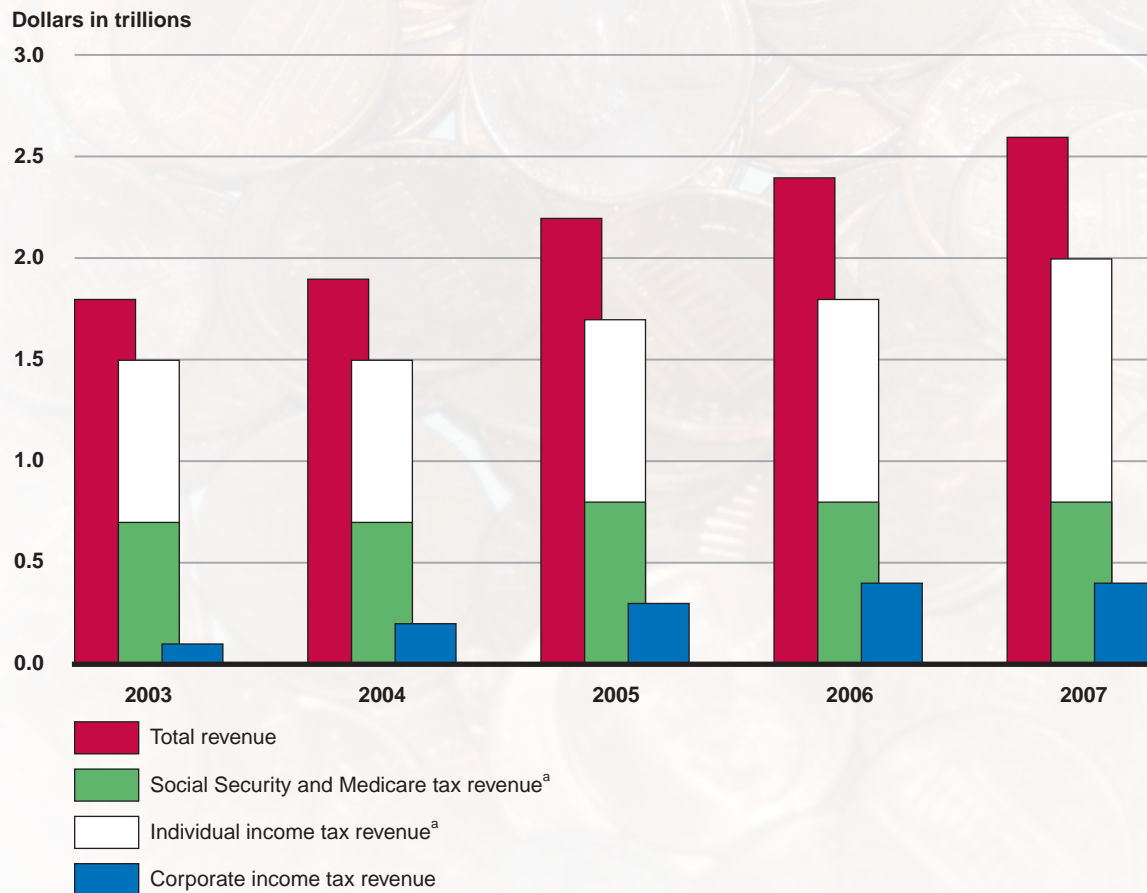
Where We Are Now

What Came In and What Went Out

What came in? In 2007, government revenue totaled \$2.6 trillion. What went out? The government's operating cost totaled \$2.9 trillion. The "bottom line" net operating cost—the difference between revenue and cost—was \$276 billion—a \$174 billion decrease from 2006. It is also more than \$100 billion greater than the unified budget deficit, as it includes approximately \$90 billion in accrued, but as of yet unpaid, post-employment benefits to the millions of people who are part of the government's current and retired civilian and military workforce. The budget deficit is the amount by which the government's spending exceeds its revenue, and thus, is a measure of how much the government has to borrow from the public. The budget deficit decreased \$85 billion to \$163 billion in 2007.

In 2007, a growing U.S. economy led to record revenue of \$2.6 trillion. Chart 2 shows that government revenue increased steadily from 2003 through 2007, largely because of taxes on increasing individual incomes and corporate profits. Social Security tax revenue of \$648 billion and Medicare tax revenue of \$200 billion accounted for almost a third of total revenue. The recent slowing of U.S. economic growth will have an effect on 2008 revenue.

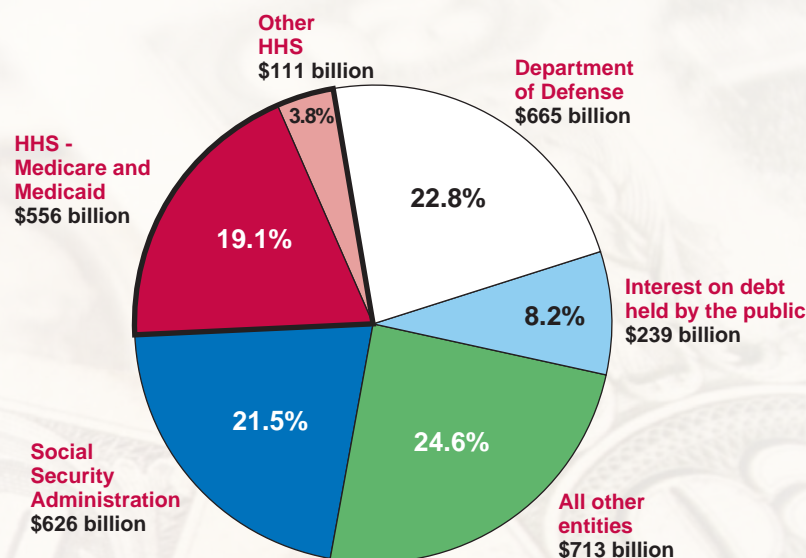
Chart 2: Government Revenue 2003-2007



^aIn the *Financial Report*, Social Security and Medicare tax revenue are combined with individual income tax revenue.

The government's net cost in 2007 was relatively constant compared to 2006. Chart 3 shows that in 2007, the Department of Health and Human Services (HHS), Department of Defense, and Social Security Administration, plus interest on debt held by the public, accounted for approximately three-fourths of the government's total net cost. Medicare cost of \$368 billion and Medicaid cost of \$188 billion accounted for more than 80 percent of HHS' total net cost in 2007.⁴

Chart 3: Government Net Cost 2007



The Debt

The government incurs debt when it borrows from the public to fund its budget deficits. The government also incurs debt when government funds invest their excess receipts in government securities. Of the government's total debt of about \$9 trillion at the end of 2007, approximately \$5 trillion was debt held by the public in the form of Treasury securities, such as bills, notes, and bonds. The public includes individuals, corporations, state and local governments, Federal Reserve Banks, and foreign governments.

The balance of the debt—nearly \$4 trillion—was intragovernmental debt. This represents debt held by government funds, including the Social Security (\$2.2 trillion) and Medicare (\$359 billion) Trust Funds. These government funds are typically required to invest any excess annual receipts in federal securities. When the government borrows these excess receipts, it still has an obligation to repay them to the government funds with interest. If expected budget deficits continue, as the government funds redeem the federal securities to pay for benefits or other program cost, then additional borrowing from the public will likely be required.

⁴Medicare cost is net of related premium revenue.

Where We Are Headed

An Unsustainable Fiscal Path

The projected growth in spending for Social Security and Medicare benefits affects every citizen in the nation.⁵ Scheduled benefits under these programs are expected to exceed dedicated revenue (e.g., payroll taxes and premiums) by more than \$40 trillion (present value) over the next 75 years, under current laws and policy.⁶ The fiscal imbalance is even larger looking beyond 75 years.⁷ Moreover, without reform

- In **2007**, Medicare Part A benefit payments began to exceed the program's tax revenue.
- In **2011**, the Medicare Part A Trust Fund begins to decline as benefits exceed payroll taxes and trust fund interest.
- In **2017**, Social Security benefit payments will begin to exceed the program's tax revenue.
- In **2019**, Medicare Part A Trust Fund assets will not be enough to pay full benefits. Under current law, benefits would be reduced to 79 percent of scheduled benefits in 2019, declining to 29 percent by 2081.
- In **2027**, Social Security Trust Funds begin to decline as benefits exceed tax revenue and trust fund interest.
- In **2040**, federal debt held by the public will exceed the historical high of 109 percent of GDP.
- In **2041**, Social Security Trust Funds' assets will not be enough to pay full benefits. Under current law, benefits for all retirees would be reduced to 75 percent of scheduled benefits in 2041, declining to 70 percent by 2081.
- In **2080**, total government cost will be more than three times revenue.

⁵The dates and events described in this section are taken from the 2007 Annual Reports of the Social Security and Medicare Boards of Trustees and the 2007 Financial Report.

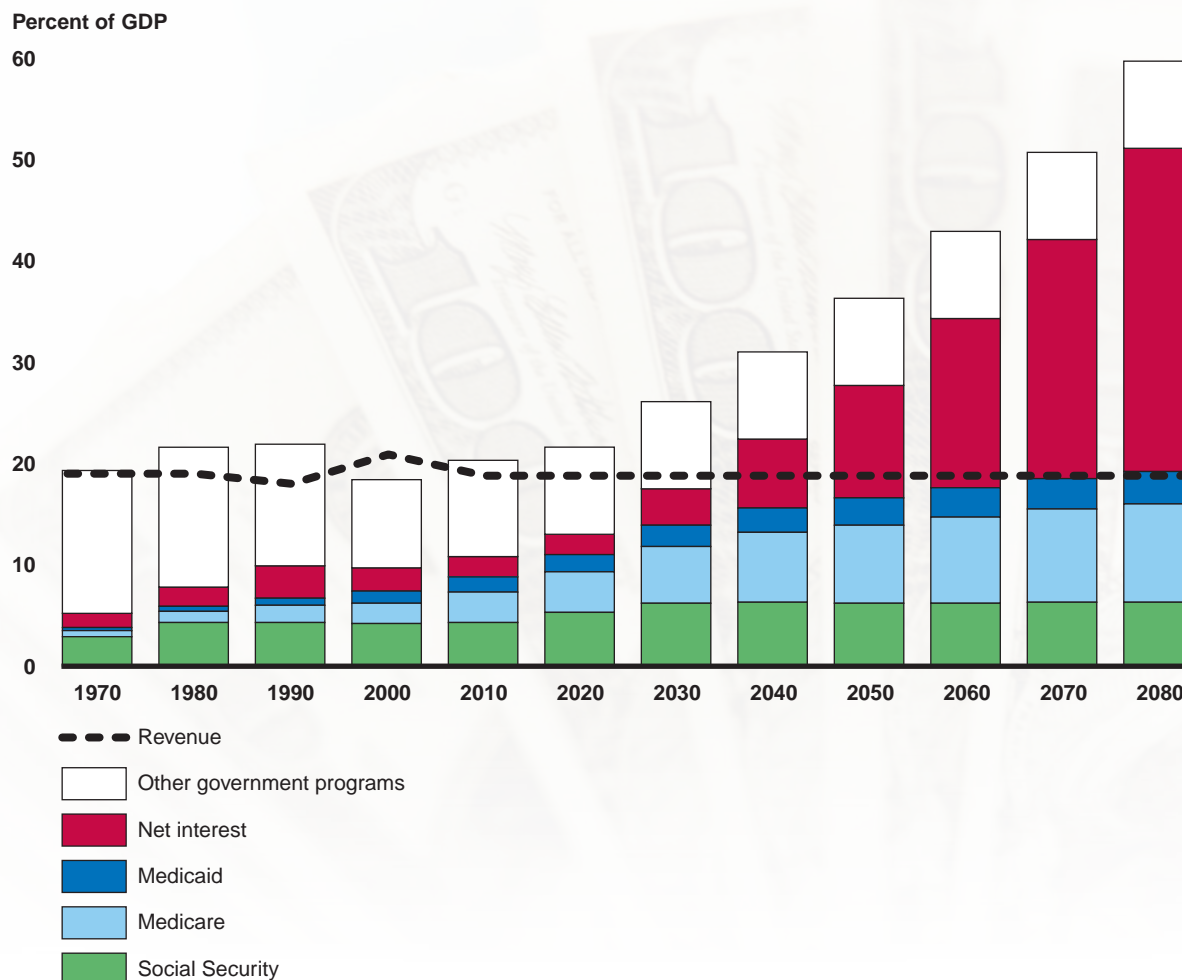
⁶This estimate, included in the fiscal year 2007 Statement of Social Insurance, may be found in the 2007 Financial Report.

⁷The 75-year horizon includes the revenue from people working in the latter part of the 75-year period but not the associated benefits that will be paid when these same people retire after the end of the 75 years.

Fundamental Reforms Are Needed Now

Chart 4 shows government revenue and spending as a percent of GDP from 1970 through 2080.⁸ Since World War II, federal revenue as a share of GDP has been roughly constant at around 18 percent.⁹ Whenever taxes rose, policy actions tended to pull them back.

Chart 4: Government Revenue and Cost 1970-2080



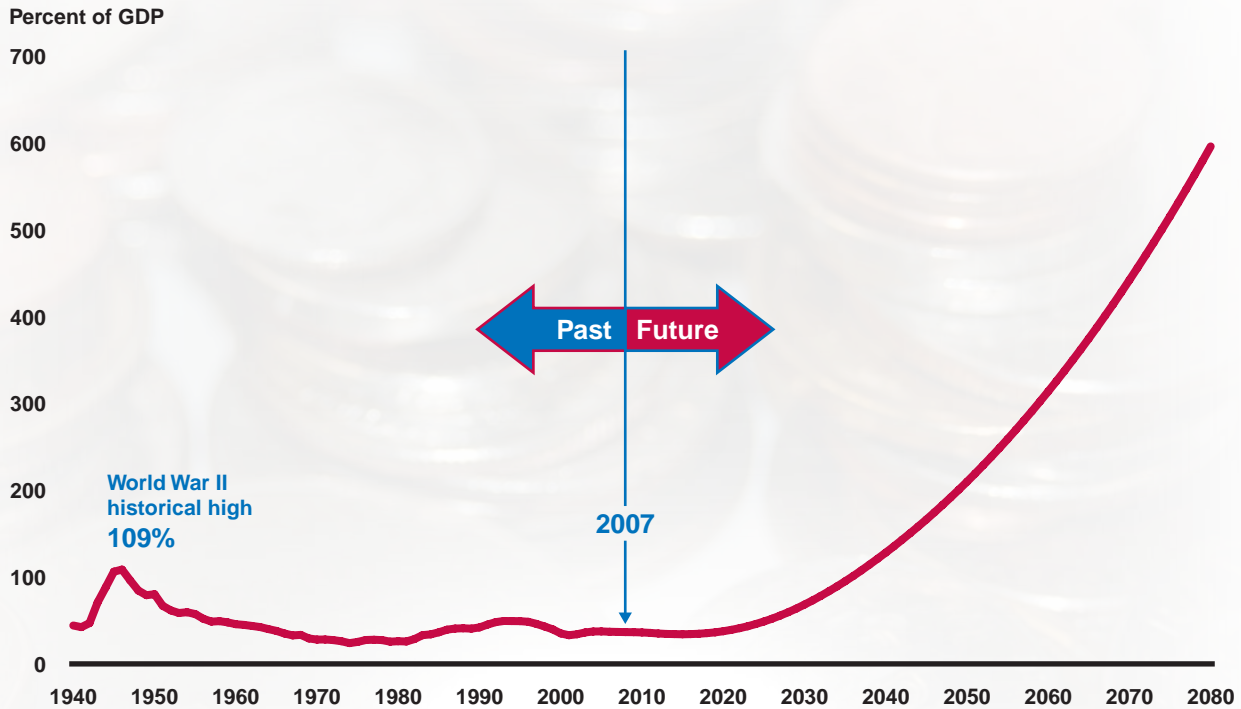
If revenue is held constant at about 18 percent of GDP (the historical average level), government spending will eventually exceed the government's ability to pay. By 2070, total government cost is projected to be 50 percent of GDP mainly because of mounting interest cost. Cost-to-GDP ratios have not been this high since World War II, when cost briefly reached 44 percent of GDP. By 2080, cost reaches nearly 60 percent of GDP, more than three times the average historical level of revenue as a percent of GDP. The dates and numbers would change with different forecasting assumptions, but under a wide range of reasonable projections, the increases in budget deficits will be dramatic.

⁸Projected spending is based on scheduled Social Security and Medicare benefits and current spending trends. Revenue as a percent of GDP from 2010 to 2080 is assumed to equal its historical average.

⁹GDP is one way of measuring the size of a nation's economy and is defined as the total market value of all final goods and services the nation produces in a given period. The projection that the government's revenue as a percent of GDP will remain relatively constant is based on historical data and trends that are not expected to change.

Chart 5 shows the extreme effect on the debt of projected budget deficits indicated in chart 4. These combined trends will cause government debt levels to more than triple by 2040 and to more than double again by 2060. The nation's debt could approach 600 percent of GDP by 2080. This far exceeds the historical high of 109 percent of GDP that occurred during World War II.

Chart 5: Federal Debt Held by the Public 1940-2080



The nation must change course before the deficit and debt reach unprecedented heights. The government must bring program cost in line with available resources. Delays in taking this action will increase the magnitude of the reforms needed and will place more of the burden on our children and grandchildren.

While the precise amounts of the government's financial responsibilities are far from certain—they are based on many complex calculations and assumptions, including life expectancies and health care cost—their magnitude and the need to control them are evident.

Looking Ahead

In the 2007 *Financial Report*, the Secretary of the Treasury indicates that the nation must look to the future, particularly the spending demands of Social Security and Medicare, and squarely face the need for fundamental reform if these programs are to be sustained. The government must strive to make all disclosures transparent, provide all points of view with relevant data, and expand financial and fiscal reporting in order to explain why estimates of future Social Security and Medicare costs increase year after year.

The issues discussed in this guide affect, and should be of interest to, every citizen. The *Financial Report's* comprehensive reporting is intended to inform and support the decision-making needs of lawmakers and the public and to help keep the United States on solid financial ground.

Finding Out More

You will find more detail on these matters in the *Financial Report*. You are encouraged to explore the information it contains and to ask questions about how the government manages taxpayers' money. The 2007 *Financial Report of the United States Government* and other information about the nation's finances are available at:

- U.S. Department of the Treasury's Financial Management Service, <http://www.fms.treas.gov/fr/index.html>;
- OMB's Office of Federal Financial Management, <http://www.whitehouse.gov/omb/financial/index.html>; and
- GAO, <http://www.gao.gov/financial/fy2007financialreport.html>.

This guide can be obtained on-line at the above Web sites.

This Citizens' Guide highlights information in the 2007 *Financial Report*. The Government Accountability Office's (GAO) complete audit report on the U.S. government's consolidated financial statements can be found beginning on page 159 of the *Financial Report*. For 2007, for the first time, GAO issued an unqualified or "clean" opinion on the Statement of Social Insurance. However, certain material financial reporting control weaknesses and other limitations on the scope of its work prevented GAO from expressing an opinion on the remaining financial statements.



Image Sources

- Cover PhotoDisc (US banknotes)
- Page 1 PhotoDisc (stack of twenty dollar bills)
- Page 2 PhotoDisc (detail of one hundred dollar bills)
- Page 4 PhotoDisc (pile of dollar bills)
- Page 6 Digital Vision (one hundred dollar bills)
- Page 8 Digital Vision (assorted US paper currency)
- Inside back cover BrandXPictures (maze of money)

