# QUESTIONNAIRE ON FISCAL TRANSPARENCY

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# I. Clarity Of Roles And Responsibilities

**1.1 The government sector should be clearly distinguished from the rest of the economy, and policy and management roles within government should be well-defined.**

1.1.1 Boundary between general government and the rest of economy

To what extent are the predominantly noncommercial activities of general government (defined according to the Government Finance Statistics (GFS)/System of National Accounts (SNA) ) distinguished from the rest of the economy? ***(Tick one box unless instructed to do otherwise)***

Not clearly distinguished . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Not clearly distinguished with respect to some significant
activities . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Clearly distinguished . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
**Not applicable - see Supporting Comment**

*Supporting comment:* *paragraphs 17-20*

Not applicable. The U.S. Federal budget approximates general government for the central government alone. The budget is a financial plan for the President and Congress to allocate resources over which they have control. Thus, unlike the general government sector in the GFS or SNA, it does not include the independent budgets of the state and local governments.

The coverage of the Federal budget is based on the unified budget concept developed by the President's Commission on Budget Concepts in 1967. The Commission recommended that the budget be comprehensive of the full range of Federal activities and include all programs and transactions of the Federal sector. The amounts presented in the budget for total receipts, total outlays, and the total surplus or deficit generally follow this concept subject to the inevitable differences of opinion about the exact dividing line between the government and private sectors. The unified budget amounts therefore include all the types of activity encompassed in the "general government sector" concept, including social insurance funds. Unlike the general government sector concept, however, the budget also includes public enterprises, both financial and nonfinancial. They are, however, relatively small.

Two programs are off-budget by law, social security (as the term is used in the U.S.) and Postal Service, and the budget strikes separate totals for on-budget and off-budget amounts. Because social security is excluded, the on-budget amounts are significantly less comprehensive than the general government concept. However, most budget tables add the on-budget and off-budget amounts to obtain unified budget totals for the U.S. Government in order to show receipts and outlays comprehensively, and the unified budget totals receive the most attention.

Two other measurement systems are important. The national income and product accounts (NIPAs) include Federal and state/local sectors in which coverage and measurement are determined according to NIPA concepts. The coverage of the Federal sector is approximately the same as the unified budget. The government sectors are a little broader than "general government," because they include nonfinancial public enterprises although not financial transactions. (For a comparison of the Federal sector with the budget, including the coverage, see the chapter on NIPAs in the *Analytical Perspectives* volume of the Budget.) Tables for the Federal and state/local sectors are presented separately and are consolidated for the total government.

The *Financial Report of the United States Government* presents financial statements for the central government on the basis of Federal financial accounting standards. The coverage is approximately the same as the unified budget, including public enterprises. The reporting is incomplete for the legislative and judicial branches, because the report is legally required for only the executive branch. State and local governments have their own independent financial reports prepared according to generally accepted financial accounting standards for state and local governments.

### 1.1.2 Government involvement in rest of economy

#### 1.1.2.1 Government involvement in the private sector

How extensive is government involvement in the private sector?

| | |
|---|---|
| Pervasive and not well-defined . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| Not well-defined in certain respects . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| Open, public and based on clear rules and procedures . . . . . . . . . . . . . . . . . . | ☒ |

*Supporting comment:* *paragraphs 21-24*

In the United States, the Federal government claims about 12 percent of total GDP. Roughly half of these resource claims are associated with Federal regulation of the private sector. Federal expenditures are governed by the appropriations process; Federal regulations are established under the Administrative Procedures Act. Thus, these two distinct forms of government involvement are subject to a defined set of rules and procedures.

#### 1.1.2.2 Regulation of the nonbank private sector

How is government regulation of the nonbank private sector implemented?

| | |
|---|---|
| Through complex regulations and unclear regulatory processes . . . . . . . . . . | ☐ |
| Using relatively simple open regulations, but there is significant scope for discriminatory implementation . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| With clear simple regulations and open regulatory processes . . . . . . . . . . . . | ☐ |
| As above, with an open formal process for assessing the quality of proposed new regulations and for periodically reviewing existing regulations . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |

| *Supporting comment:* | *paragraph 22* |
|---|---|
| The U.S. has an open regulatory process with public notice of proposed regulations and opportunities for interested parties to participate in rule-makings by submitting written data, views, or arguments and/or by making oral presentations. Most noteworthy is the requirement that agencies prepare economic analyses of the regulatory impacts of proposed regulations and send them along with the regulations to a central oversight agency, the Office of Management and Budget (OMB), for review before the rules can be published in *The Federal Register*. An Executive Order and several statutes, such as the Regulatory Flexibility Act, call for review of existing regulations.<br>It should be noted that the inherent complexity of some of the activities subject to regulation, along with differences in regulatory statutes and agency practices, can lead to fairly complex regulations despite best intentions. | |

### 1.1.2.3 Government involvement in the financial sector

*(a)* How should government ownership of the financial sector be described?

- Extensive . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Moderate to significant . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Limited or none . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*(b)* How extensive are quasi-fiscal activities by public and/or private banks, and are they reported?

- Extensive and unreported . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Moderate and unreported . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Reported reasonably clearly in the budget documents . . . . . . . . . . . . . . . . . . ☐
- Very limited or nonexistent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* *paragraph 23*

Government ownership of the financial sector is very limited to nonexistent. The U.S. has a few government programs and government-owned corporations – such as the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) – that guarantee mortgages and mortgage-backed securities. In addition, other programs also provide direct loans and loan guarantees, such as the small business loans made or guaranteed by the Small Business Administration; and the Federal Deposit Insurance Corporation insures deposits up to $100,000. But each of these provide credit enhancements and do not represent government ownership of retail financial institutions.

Our government sponsored enterprises – such as the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) – are chartered by the federal government but are owned by the private sector. Each government sponsored enterprise is either cooperatively owned by private-owned financial institutions or issue common stock that trades on the New York Stock Exchange. In either case, there is no federal ownership.

The quasi-fiscal activities are also very limited to non-existent. The Federal Home Loan Bank System – a government sponsored enterprise – must set aside 10 percent of its income (or at least $100 million) each year to make grants that support affordable housing.

### 1.1.2.4 Government direct equity investment

*(a)* How extensive is government equity participation in private companies?

- Widespread . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Moderate . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Limited . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- **Not applicable - see Supporting Comment**

*(b)* Is government equity participation in private companies clearly reported and well explained?

- There is no reporting . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- It is not clearly reported . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- It is clearly reported, and well explained . . . . . . . . . . . . . . . . . . . . ☐
- **Not applicable - see Supporting Comment**

*Supporting comment:* *paragraph 24*

Not applicable, as the U.S. Government has no equity participation in private companies.

1.1.3 Responsibilities of different levels and branches of government

1.1.3.1 Intergovernmental fiscal relations

(a) How should central control over lower levels of government be described?
(Indicate in the comment section whether control issues arise primarily during the planning and preparation, execution, or audit stages).

| | |
|---|---|
| Very weak | ☐ |
| Weak | ☒ |
| Firm but areas of negotiation | ☐ |
| Strong | ☐ |

*(b)* How should distribution of expenditure responsibilities and tax powers be described?

| | |
|---|---|
| Unclear or emerging | ☐ |
| Clear but subject to some degree of ad hoc negotiation | ☐ |
| Clear and supported by open, stable intergovernmental transfer mechanisms | ☒ |

*Supporting comment:* *paragraph 26*

The United States has a federal system of government, based on a written Constitution, under which the 50 states are substantially self-sustaining by virtue of their inherent powers. Local governments are creatures of the states with only those powers and responsibilities provided by state constitutions and legislation, which differ from state to state. States control their budgets at all stages, based on their state constitutions, and localities control their budgets under powers designated by the states. The central government does not review or approve state or local budgets or their borrowing. Fiscal discipline is provided not by Federal Government controls but by state constitutional or legal requirements for balanced budgets and the discipline of the private credit markets through bond-rating agencies.

Central government influence is primarily limited to areas in which it provides grants to states or localities. Grants finance about one-fourth of total state and local spending and are almost entirely designated for specified purposes. The central government has almost no control over the remaining three-fourths of state and local spending, which is financed by state and local own source revenues or borrowing, except that some of this spending is required to match Federal grants or to comply with Federal laws and regulations.

The degree of central influence differs greatly from grant to grant, depending on the legislation under which it is provided and whether state and local spending would have taken place for the designated purpose without the grant. However, grants generally affect all three stages identified in question 1.1.3.1(a): planning, where the state has to plan to spend the grant in accordance with the terms of the grant and generally to supplement it with some of its own funds, and where the state may organize programs in order to maximize the amount of grants; execution, where it has to spend money in accordance with the terms of the grant; and auditing, where the state or locality must ensure that grant moneys were used in accordance with the terms of the grant.

Expenditure responsibilities of the different levels of government have been developed over the years by law and tradition. They are clear and stable in the main, but relatively small adjustments are continual and major changes are occasionally made (such as the establishment of a new program, or a major revision such as the recent welfare reform). Some responsibilities are shared. Shared responsibilities may involve central government grants to states and localities that partially finance payments for individuals or the provision of public services. Transfer mechanisms are openly described in published budget documents, including a chapter on grants in the *Analytical Perspectives* volume of the budget and information by account for grant programs in the *Budget Appendix*. The central government also provides financial assistance to state and local governments through tax expenditures: the deductibility of most state and local taxes (except sales taxes) in calculating Federal taxable income and the exemption of interest on state and local debt from taxable income.

The Constitution does not assign different taxes to different levels of government and has few limitations on taxing power. The pattern of taxation does, however, differ markedly for such reasons as tradition, the natural advantage that some types of taxes have for different levels of government (e.g., most localities can more easily administer property than income taxes), and the association of some types of taxes with earmarking for specified purposes. The pattern of taxation is stable but may change over time.

1.1.3.2 Role of the executive, legislative, and judicial branches

How should the fiscal management roles of the various branches of central government be described?

- Unclear or emerging . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Established but with significant areas of uncertainty . . . . . . . . . . . . . . . . . . . ☐
- Well-established, with a capacity to resolve emerging issues . . . . . . . . . . . . ☒

| *Supporting comment:* *paragraph 27* |
|---|
| The fundamental fiscal roles of the executive, legislative, and judicial branches are well-established under the Constitution, and have been fleshed out in legislation over the past two centuries. The most basic references to the Constitution and legislation are included in the concepts chapter of the *Analytical Perspectives* volume of the budget. From time to time these laws are modified by new legislation, such as the Government Performance and Results Act of 1993. The relative powers of the executive and legislative branches change over time depending on the political balance of power and external circumstances. |

## 1.1.4 Budget coordination and management

1.1.4.1 Budgetary and extrabudgetary activities

How should mechanisms for the coordination and management of budgetary and extrabudgetary activities be described?

- Not well defined . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Moderately well defined but it is difficult to control some extrabudgetary activities . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Well defined, allowing effective control of budgetary and extrabudgetary spending . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* *paragraphs 29-33*

The Federal Government does not have significant extrabudgetary entities. The unified budget concept, based on the recommendations of the President's Commission on Budget Concepts (1967), is comprehensive of the full range of Federal activities and includes all programs and transactions of the Federal government. There is no place for extrabudgetary activities as defined in the *Draft Manual on Fiscal Transparency*, and in particular there is no place to exclude programs that are controlled through authorizing law rather than the annual appropriations process. The unified budget concept underlies the figures that the budget presents for total receipts, total outlays, the total surplus or deficit, and other government-wide totals, and these are the figures that receive the most political and public attention.

Two programs are classified as "off-budget" in law, social security and Postal Service, and the budget strikes separate totals for on-budget and off-budget amounts. However, the budget documents include information on these accounts that is as detailed as the information about on-budget accounts, most budget tables add the on-budget and off-budget amounts to obtain unified budget totals for the U.S. government in order to show receipts and outlays comprehensively, and the unified budget totals receive the most attention. These entities are therefore not extrabudgetary as defined in the *Draft Manual.*

There are inevitably some differences of judgment about the boundary line for the government and hence the unified budget, as the Commission recognized explicitly. Insofar as some programs or transactions may be erroneously or improperly excluded, transparency is diminished and control may be endangered. The largest programs that might be considered extrabudgetary were two organizations established in the 1980s to provide financing for troubled thrift institutions and banks (FICO and REFCORP). The amount of their financing was effectively controlled under statutory limits, and they have long since ceased to conduct new operations.

The Federal government administers some funds that are non-budgetary in concept and therefore are neither included in the budget nor classified as extrabudgetary under the definitions in the manual. These accounts include deposit funds, which are monies held temporarily until ownership is determined or held as an agent for others. The largest deposit fund is the Thrift Savings Fund, the accounts in which are owned by Federal employees. Non-budgetary accounts also include direct loan and guaranteed loan financing accounts, whose transactions are not costs to the government above and beyond the subsidy costs included as budget outlays for direct loans and loan guarantees. The transactions of budgetary accounts with non-budgetary accounts are recorded in the budget in the same way as all other transactions with the public.

The *Analytical Perspectives* volume includes a chapter, "Off-Budget Federal Entities and Non-Budgetary Activities," which discusses off-budget entities and non-budgetary activities more fully (chapter 19 in the FY 2000 volume).

### 1.1.4.2 General government and the central bank

To what extent does the government influence central bank policy for fiscal purposes?

- To a great extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- To some extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Little or not at all . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* *paragraphs 35-37*

Under the Humphrey-Hawkins Act of 1978, the Federal Reserve has broad economic policy goals to:

> maintain long-run growth of the monetary and credit aggregates commensurate with the economy's long-run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.

Other than the above responsibilities under Humphrey-Hawkins, the Federal Reserve is an independent agency within the executive branch of the government, subject only to Congressional review. The government does not influence the central bank for fiscal policy purposes.

### 1.1.4.3 General government and other public financial institutions

How should the separation of public financial institutions from general government be described?

- Poor, with extensive quasi-fiscal activities undertaken by public financial institutions .......... ☐
- Poor but quasi-fiscal activities are limited .......... ☐
- Based on a clear distinction between fiscal and banking operations .......... ☒

*Supporting comment:* *paragraph 38*

There is a clear distinction between fiscal and banking operations.

### 1.1.4.4 General government and nonfinancial public enterprises

How should the links between nonfinancial public enterprises and general government be described?

- Poorly distinguished and nontransparent .......... ☐
- Mainly distinct but with significant nontransparent intervention .......... ☐
- Based on clear management responsibilities and transparent financial arrangements .......... ☒

*Supporting comment:* *paragraphs 39-41*

Nonfinancial public enterprises are included in the annually-prepared *Budget*, together with general government, in accordance with the recommendations of the President's Commission on Budget Concepts (see the comment on question 1.1.1). They have separate accounts identified as "public enterprise funds" in the *Analytical Perspectives* volume chapter entitled "Federal Programs by Agency and Account," and in the *Budget Appendix*. Since their transactions are part of the budget totals, any surplus or deficit in their operations has an equal effect on the budget surplus or deficit. Management responsibilities depend on the authorizing statute, and the enterprises may be required to publish audited financial statements apart from the requirements of the Chief Financial Officers Act.

## 1.2 There should be a clear legal and administrative framework for fiscal management.

### 1.2.1 Legal framework for fiscal management

#### 1.2.1.1 Legal framework—rules and responsibilities

Does the legal framework define clear roles and responsibilities for key aspects of fiscal management?

- To a limited extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Partially but with significant gaps . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Comprehensively but through complex laws, orders, and administrative arrangements . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Through comprehensive legislation, regulations, and instructions . . . . . . . . . ☒

*Supporting comment:* *paragraphs 43-46*

The following comments explain the legal framework for the budget. The legal framework for financial reports is based primarily on the requirement for audited financial statements by the departments, major independent agencies, and the executive branch, as required by the Chief Financial Officers Act, as amended.

The governing guidance is comprehensive, but it is complex because additional statues, regulations and instructions have been added over time in response to perceived problems which often have related to perceptions of inadequate control by Congress.

Under the U.S. Constitution, public funds can only be spent by law. Under U.S. law:

- All collections by Federal officers or employees on behalf of the Government are mandated to be deposited into the Treasury, except if otherwise required by another law.
- The President determines the form of the budget. Since 1967, the budget has generally conformed to the recommendations of the President's Commission on Budget Concepts, which called for a comprehensive budget.
- The budget must cover the condition of the Treasury at the end of the past, current, and budget years. For the budget year and at least four years beyond, the budget must present total budget authority and outlays, Federal revenues, surplus or deficit, new budget authority and outlays for each major functional category, and the public debt.
- The Director of OMB is responsible for assisting the President in preparing the budget and for controlling the spending of budgetary resources through the apportionment process.
- Federal officials and employees are held accountable for collecting and using budgetary resources. The Antideficiency Act provides criminal and administrative penalties for over spending. OMB is responsible for reviewing and approving agency systems of administrative control of funds to prevent violations of the Antideficiency Act. OMB is also responsible for approving the annual spending plan (known as the apportionment) for each account.
- Contingency or reserve provisions tend to be very clear and stringent. The President's "Unanticipated Needs" account is very small ($1 million). Reserves specify clear conditions for use; for example, between $60 and $70 billion are held in reserve to automatically fund U.S. balance of payment financing needs and for intervening in the foreign exchange market on behalf of the U.S. dollar.
- Under the CFO Act, the major agencies are required to produce financial statements each year and the statements are required to be audited.
- Supplementary budgets are limited to "emergency" supplementals. The challenge is to keep "pork" or wasteful spending to a minimum.
- "Arrears" are almost non-existent because the U.S. system is based on obligations as well as cash.

1.2.1.2 Legal framework—transparency and accountability

*(a)* How should the administrative accountability provisions of the legal framework be described?

Not clearly defined .................................................. ☐
(e.g., emphasizing broad sectoral allocations rather than establishing a clear line of accountability to specific individual agencies for the use of public funds)

Defined mainly in terms of financial compliance ...................... ☐

Covering both financial compliance and effectiveness of performance ..... ☒
(e.g., legislative requirements for reporting fiscal outcomes, for the timing of budget authorization and approval, for the completion of audit, for the nature of information the executive is required to provide with the budget, for the accounting basis used to prepare the financial statements)

*(b)* Does legislation set out transparency and accountability requirements for the executive branch of government?

To a limited extent or not at all ................................... ☐
For some aspects, such as comprehensive fiscal reporting ............... ☐
Explicitly and comprehensively ..................................... ☒
(i.e., in a way comparable to New Zealand's Fiscal Responsibility Act)

*(c)* Are the transparency and accountability provisions of the law observed in practice?

To a limited extent ................................................ ☐
Moderately well ................................................... ☐
Very well ......................................................... ☒

| *Supporting comment:* *paragraphs above and Box 11* |
|---|
| Reporting on effectiveness of performance is a relatively new feature in the U.S., and much work remains to enhance the meaningfulness of reported performance information. The audit of the *Financial Report of the United States Government* revealed several material weaknesses. OMB and Treasury are working in partnership with the Departments and Agencies of the Executive Branch to resolve deficiencies in the reliability of certain areas of reporting. It is essential to have sound financial information in conjunction with reliable performance measurements. |

### 1.2.2 Legal basis for taxation

#### 1.2.2.1 Tax laws

*(a)* What is the legal basis for determining tax liabilities?

- Widespread discretionary concessions and tax liabilities can be negotiated . . . . . . . . . . ☐
- There is an explicit and clear statutory basis for concessions and tax liabilities in the laws for some taxes . . . . . . . . . . ☐
- As above for most or all taxes . . . . . . . . . . ☒

*(b)* Are the provisions of tax law observed in practice?

- To a limited extent . . . . . . . . . . ☐
- Moderately well . . . . . . . . . . ☐
- Very well . . . . . . . . . . ☒

| *Supporting comment:* | *paragraphs 47-49* |
|---|---|
| Statutory bases exist for compromise of tax liability, abatement of interest, and waiver of most penalties based on reasonable cause or other criteria. Overall compliance with the provisions of tax law is high, particularly among taxpayers subject to withholding, information reporting, and annual audit (large corporate taxpayers). | |

#### 1.2.2.2 Tax regulations and administration

*(a)* How should tax regulations and administrative procedures be described?

- Generally unclear . . . . . . . . . . ☐
- Unclear for some taxes . . . . . . . . . . ☐
- Clear for most or all taxes . . . . . . . . . . ☒

| *Supporting comment:* | *paragraphs 50-56* |
|---|---|
| Regulations are generally drafted in a two-step process. First, proposed regulations are published for public comment. Often a public hearing is held for those wishing to orally testify concerning the contents of the regulations. Secondly, after considering oral and written comments, final regulations are published. This two-step process enable the Internal Revenue Service (IRS) to more completely ensure that the final regulations are clear and take into account all relevant considerations. Other forms of published guidance are generally of less significance and generally only published in final form. All published guidance is readily available to the public including, for example, guidance that was given to a specific taxpayer (which is made available in redacted form to remove taxpayer identifying information). | |

*(b)* How extensively is a tax officials' code of conduct or process protection applied?

To no taxes or a few taxes .......................................... ☐
To some taxes .......................................... ☐
To most or all taxes .......................................... ☒

| *Supporting comment:* | *paragraph 57* |
|---|---|
| There are statutory proscriptions on certain types of conduct by tax officials and statutory and administrative sanctions. Standards of ethical conduct exist for employees of the Executive Branch of the United States Government; a code of conduct also exists (Treasury Department Circular 230) for former tax officials and for those representing taxpayers before the IRS. | |

*(c)* Are taxpayers' rights and obligations clear?

For no taxes or a few taxes .......................................... ☐
For some taxes .......................................... ☐
For most or all taxes .......................................... ☒

*(d)* Are taxpayers' rights and obligations observed?

Not at all or rarely .......................................... ☐
Usually .......................................... ☒
Always .......................................... ☐

*Supporting comment:* *paragraph 57*

Taxpayer rights are normally stringently observed by the Internal Revenue Service. On occasion, a violation of rights may occur, for which there is administrative or judicial redress. Taxpayer rights are numerous and detailed in certain respects and, consequently, on occasions violations may occur. For example, confidentiality of taxpayer return information is statutorily required, but there are numerous and detailed statutory exceptions to the confidentiality principle and inadvertent (or to a lesser extent intentional) violations may sometimes occur. IRS employees are required to report any such violations and administrative procedures are in place to investigate and, if necessary, sanction certain types of conduct. As another example, detailed procedures are statutorily prescribed for levy and seizure of a taxpayer's assets in circumstances where the taxpayer is delinquent in the payment of taxes. On occasion the requisite procedures may not be scrupulously followed and taxpayers have certain avenues of administrative or judicial recourse in such circumstances. Congress in the past few years has focused on taxpayer rights and recent legislation has added a significant number of new taxpayer rights and administrative procedures to be followed by the IRS in collecting taxes. These new rights and procedures, however, are in the early stages of implementation.

Taxpayer obligations, principally to timely report and pay the correct amount of tax, also are observed. However, the internal revenue laws contain a number of provisions that permit relief from such obligations in certain circumstances, such as provisions permitting the deferred payment of tax liability, compromise of tax liability when collection of the full liability is in doubt, or releases of liens or levies under prescribed circumstances. The IRS employs a number of different programs and techniques to identify and investigate taxpayers who are not complying with their obligations, including information reporting by payors of certain types of income, audits of tax returns, and internal statistical programs to identify underreporting. However, there are statutory limits on the periods of time permitted for such investigations and not every taxpayer who underreports and/or underpays taxes is identified within the time periods prescribed for IRS action.

### 1.2.3 Ethical standards

Are there ethical standards of behavior for public servants?

| | |
|---|---|
| There are no formal provisions . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| They are covered partially in various laws or statements . . . . . . . . . . . . . . . . | ☐ |
| There are clear and well-publicized laws or statements . . . . . . . . . . . . . . . . . | ☒ |

*Supporting comment:* *paragraph 58*

Conflicts of interests are proscribed by statute with criminal penalties and Executive Branch-wide regulations control other activities that might create an appearance that an official has lost impartiality in taking an official government action.

## II. PUBLIC AVAILABILITY OF INFORMATION

**2.1 The public should be provided with full information on the past, current, and projected fiscal activity of government.**

2.1.1 Budget coverage

(In the comment, indicate how the term "budget" is interpreted. If the term is restricted to the (usually limited) proportion of the public accounts subject to annual appropriation, discuss whether transactions outside the budget are treated similarly to budget transactions.)

*(a)* How extensive is budget coverage of central government?

Limited .................................................... ☐
Most of central government is covered ............................. ☐
Comprehensive ............................................. ☒

*(b)* Does budget coverage extend beyond central government?

Some of general government is covered ............................. ☐
There is comprehensive coverage of general government ............... ☐
There is comprehensive coverage of the public sector .................. ☐
**See Supporting Comment**

*Supporting comment:* *paragraphs 61-65*

The U.S. budget covers all of central government activities and does not extend beyond that, except to the limited extent explained below for government-sponsored enterprises. The budget includes all Federal Government accounts, both those subject to annual appropriation and those funded by permanent, indefiniteappropriations (such as interest on the public debt and most benefit entitlement programs). The budget includes activities financed in whole or part by fees and other charges collected by agencies. The collections and outlays for these programs are shown on a gross basis at the account level, but collections that are derived from business-type or market transactions (or intragovernmental transactions) are offset against outlays in striking outlay totals (see the comment on question 3.2.1).

By law, the budget presents budget totals that exclude the transactions of certain social security programs and the U.S. Postal Service. However, the budget includes the detailed transactions for these activities and strikes separate, consolidated totals that include them. Also, by custom, both the budget totals and the consolidated totals exclude the transactions of the Board of Governors of the Federal Reserve System, even though it is a central government entity, because of the independent status of the Federal Reserve System. The budget documents include a presentation for the Board for information only.

Federal laws have established several government-sponsored enterprises, such as the Federal National Mortgage Association, for public policy purposes, but they are privately owned and operated corporations. Because of their close relationship to the government, the budget discusses them and reports their financial data, but their transactions are not included in the budget totals.

The Federal budget includes no information on state and local government budgets, because they are independent entities under the U.S. Constitution.

Separate from the budget, the Federal Government compiles and reports collectively on state and local government transactions and on private sector transactions. Called National Income and Product Accounts, these data are used for economic analysis (not for budgeting).

### 2.1.2 Outturns for the preceding two fiscal years

What information on previous years is presented with the annual budget?

There is no information on previous years . . . . . . . . . . . . . . . . . . . . . . . . ☐
Some aggregate information is presented on the budget and the actual or expected outturn of the preceding fiscal year . . . . . . . . . . . . . . . . . . . ☐
As above for the preceding two fiscal years . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* *paragraph 66*

The same detailed information is provided for the past fiscal year and the current fiscal year as is presented in the President's request for the budget fiscal year.

2.1.3 Statements on contingent liabilities, tax expenditures, and quasi-fiscal activities

*(a)* Is a statement on contingent liabilities published with the budget documentation?

No statement is published . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒
A statement is published but there are no quantitative estimates . . . . . . . . . . ☐
As above, with some quantitative estimates . . . . . . . . . . . . . . . . . . . . . . . . . ☐

*(b)* Is a statement on tax expenditures published with the budget documentation?

No statement is published . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
A statement is published but there are no quantitative estimates . . . . . . . . . . ☐
As above, with some quantitative estimates . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*(c)* Is a statement of quasi-fiscal activities published with the budget documentation?

No statement is published despite significant quasi-fiscal activities . . . . . . . ☐
A statement is published but there are no quantitative estimates . . . . . . . . . . ☐
As above, with some quantitative estimates . . . . . . . . . . . . . . . . . . . . . . . . . ☐
No statement is published with the budget because quasi-fiscal
activities are very limited . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
**See Supporting Comment**

*Supporting comment:* *paragraphs 67-79*

No statement on contingent liabilities is published, but budget outlays do include outlays for a number of contingent liabilities. Under the Federal Credit Reform Act of 1990, Federal agencies are required to estimate the cost of loan guarantees, to obtain budget authority for this cost prior to entering into commitments to guarantee loans, and to record the cost as an outlay when the guaranteed loans are disbursed. The outlay estimates for insurance and other programs may also include outlays that depend on a contingency, but since they are not on a credit reform basis the estimates would include only the projected cash payments and collections year by year.

In addition to the budget, financial information is provided in the *Financial Report of the United States Government,* which reflects the operations of the executive branch on an accrual basis of accounting (except for non-exchange revenue) and contains disclosures of contingent liabilities.

The budget's *Analytical Perspectives* volume includes a chapter on tax expenditures which explains each tax expenditure and provides a set of tables with quantitative estimates. Considerable information on tax expenditures is also published in the main budget volume.

No statement of quasi-fiscal activities is published, but the budget itself includes some quasi-fiscal activities if that term is broadly interpreted Subsidized direct loans and loan guarantees are reflected directly in the budget itself. Under the Federal Credit Reform Act of 1990, the cost of direct loans and loan guarantees must be estimated, Congress must provide budget authority before direct loans can be obligated or loan guarantees committed, and the subsidy cost is recorded as outlays when the loans are disbursed. To the extent that the subsidy cost from defaults and/or below market interest rates is reduced or eliminated by fees and/or sufficiently high interest rates, this is reflected in a lower subsidy cost or one that may even be negative.

The budget also reflects any subsidies from commercial enterprises charging their customers less than cost, or any profit from charging more. Nonfinancial public enterprises are included in the budget, and proceeds from sales are an offsetting collection in calculating outlays, as recommended by the President's Commission on Budget Concepts. To the extent that gross outlays for these enterprises are more than offsetting collections, the difference is reflected in higher total budget outlays and a lower surplus (with the timing on a cash basis). The schedules in the *Budget Appendix* show the gross amounts of outlays and offsetting collections credited to expenditure accounts.

The Federal Reserve System is not included in the budget, following the recommendation of the President's Commission on Budget Concepts. However, its earnings (net of expenses, dividends, and additions to surplus) are paid to the Treasury and recorded as governmental receipts. If it engaged in any quasi-fiscal activities leading to a profit or loss, that would be reflected as a change in receipts and the surplus. The elements that led to the profit or loss, however, would not be identified in the budget.

The Government-sponsored enterprises (GSEs) may be considered public financial institutions by the definitions in the draft manual. The GSEs were established and chartered by the Federal government to perform specific credit functions, but they are excluded from the budget because they are entirely privately owned and operated (e.g., the Federal National Mortgage Association and Federal Home Loan Banks). However, because they represent Federal programs, the President's Commission on Budget Concepts recommended that their loans and borrowing be included at a prominent place in the budget documents and that their complete financial statement be published in the *Budget Appendix*. In addition, because of their public policy purposes, they receive a number of benefits from their relationship to the Federal Government. A table on their borrowing and lending is included in the credit chapter of the budget and summarized in the debt chapter (for the FY 2000 budget, see *Analytical Perspectives*, tables 8-10 and 12-7). The Appendix schedules for GSEs are in the last part of that document.

### 2.1.4 Information on debt and financial assets

*(a)* Does the government publish information on the level and composition of debt?

| | |
|---|---|
| To a limited extent or infrequently | ☐ |
| With the annual budget | ☐ |
| With the budget and within year | ☒ |

*(b)* Does the central government publish information on the level and composition of financial assets?

| | |
|---|---|
| To a limited extent or infrequently | ☐ |
| With the annual budget | ☐ |
| With the budget and within year | ☒ |

*Supporting comment:* *paragraphs 80-87*

The budget states estimates of the level of federal borrowing and debt and its relationship to the surplus or deficit in one of the summary tables of the main budget volume. The table includes the major debt series over the period from the last completed fiscal year to four years after the budget year — seven years in total. This information is repeated, together with several other tables and analysis, in the debt chapter of *Analytical Perspectives*. The analysis includes notes on valuation methods, though it does not describe all the details. The *Historical Tables* volume summarizes historical data on debt since 1940. The basic debt table is updated in the *Mid-Session Review of the Budget*, normally published in July.

The Treasury publishes information about Federal debt in several places. They publish monthly information on the level of Federal debt and its relationship to the other means of financing in the *Monthly Treasury Statement of Receipts and Outlays (MTS),* table 6. This table has the same major debt series as the budget table except for not including debt subject to limit. Treasury also publishes detailed information on the level and composition of Treasury debt (including debt subject to limit) in the *Monthly Statement of Public Debt*. The quarterly *Treasury Bulletin* summarizes much of the information about financing, ownership, and maturity distribution. The *Daily Treasury Statement* includes total Treasury debt and the debt subject to limit.

The budget does not have a statement of financial assets as such, but both it and other publications include information about financial assets. The credit chapter in *Analytical Perspectives* has a table on direct loans in total, by agency, and by program, although loans are measured at face value rather than by credit reform accounting. The narrative and other tables provide additional information. The *Budget Appendix* contains more detail on an account basis.

The *MTS* includes monthly data on those financial assets and liabilities that are a bridge from the surplus (deficit) to borrowing from the public, but not from others such as direct loans. Daily data on Treasury operating cash are published in the *Daily Treasury Statement*. The annual *Financial Report of the United States Government* (formerly *Consolidated Financial Statements*) includes a complete balance sheet supplemented by footnotes on almost all line items.

## 2.2 A public commitment should be made to the timely publication of fiscal information.

### 2.2.1 Specific commitments to publication

What public commitment is made to publish fiscal information? ***(Tick all applicable boxes)***

| | |
|---|---|
| None . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| It is reflected in government policy statements or administrative orders . . . . | ☒ |
| Subscription to the IMF's data dissemination standards (General Data Dissemination System (GDDS)/Special Data Dissemination Standard (SDDS)) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |
| It is a legal requirement . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |

*Supporting comment:* *paragraphs 89-92*

The *Budget* and *Mid-Session Review of the Budget* are required by law. Treasury's *United States Government Annual Report - Appendix* fulfills a constitutional requirement for a regular statement and account of the receipts and expenditure of all public money. Various Treasury publications, such as the *Monthly Treasury Statement, Monthly Statement of the Public Debt, Daily Treasury Statement,* and *Treasury Bulletin*, are reflected in well-established government policies. The audited *Financial Report of the U.S. Government* is required by law.

### 2.2.2 Advance release date calendars

Are there advance release date calendars for fiscal reporting to the public?

| | |
|---|---|
| No . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| For most reports . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| As above and calendars are published . . . . . . . . . . . . . . . . . . . . . . . | ☒ |

*Supporting comment:* *paragraphs 93-94*

The *Budget* and *Mid-Session Review of the Budget* are published by dates set in law. The *Monthly Treasury Statement* is published at regular times, and the planned publication date of each issue is announced in the previous issue. The *Monthly Statement of Public Debt* is published at a regular time each month; the *Daily Treasury Statement* is released at a regular time each day. The *Financial Report of the U.S. Government* is published by a date set in law. Contingencies may cause any of these release times to vary.

## III. Open Budget Preparation, Execution, and Reporting

**3.1 Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.**

3.1.1 Fiscal policy objectives and sustainability

3.1.1.1 Budget framework ***(Tick all applicable boxes in a and b)***

*(a)* Which of the following apply to the budget documents?

- There is a forecast of fiscal aggregates for the budget year plus two years .. ☒
- As above and also with forecasts by individual agency ................. ☒
- Formal rolling medium-term (3–5 year) estimates of **expenditure** are maintained ........................................ ☒
  (i.e., a system in which the estimate for year two becomes the starting point (or baseline) for consideration of the subsequent year's budget)
- Formal rolling medium-term (3–5 year) estimates of **revenue** are maintained ........................................ ☒
- There is a statement of the government's medium-term fiscal policy objectives and priorities .................................. ☒

*(b)* For which of the following are medium-term targets set?

- Expenditure ........................................ ☒
- Revenue ........................................ ☒
- Current balance ........................................ ☐
- Overall balance ........................................ ☒
- Debt ........................................ ☒
- Other (specify) ........................................ ☐

| |
|---|
| *Supporting comment:* *paragraphs 97-101*<br>The budget provides estimates based on the President's proposals for the current year, the budget year, and four years after the budget year for the unified budget totals; the on- and off-budget totals; receipts by major source (receipts by more detailed source are provided through the budget year); outlays by agency, function, subfunction, and account; surplus (or deficit); and debt. One table shows budget estimates for an additional five years (the current year and subsequent 10 years), the details of which are provided to the Congress. The surplus (or deficit) for the unified budget totals is not exactly the same as the overall balance, because it does not adjust for lending and repayments of pre-credit reform loans.<br>On a current services baseline basis, the budget provides estimates for the current year, budget year, and four years after the budget year for receipts by major source, outlays by function and program, and the surplus (or deficit).<br>The estimates on a policy basis may be deemed "targets," but they are not targets set in law. A narrower usage of "target" would restrict it to agreements by the President and the Congress to reach certain amounts by certain dates, or goals written into law. |

### 3.1.1.2 Indicators of fiscal policy stance

*(a)* Which of the following indicators (as defined in the Manual) are provided in **central government** fiscal policy statements, and are they monitored *ex post*? ***(Tick all applicable boxes)***

| | *Ex ante* | *Ex post* |
|---|---|---|
| Overall balance | ☒ | ☒ |
| Overall balance excluding asset sales | ☐ | ☐ |
| Current balance | ☐ | ☐ |
| Primary balance | ☐ | ☐ |
| Operational balance | ☐ | ☐ |
| Public debt | ☒ | ☒ |
| Contingent liabilities | ☒ | ☐ |
| Tax expenditures* | ☒ | ☐ |
| Quasi-fiscal activities | ☒ | ☐ |
| Statement of financial assets and liabilities | ☒ | ☐ |
| Unfunded pension liabilities | ☐ | ☐ |
| Net worth (Or another balance sheet indicator) | ☒ | ☐ |
| Other *(specify)* | ☐ | ☐ |

*(b)* Are similar indicators included in policy statements for lower levels of government?

| | |
|---|---|
| Not at all or to a very limited extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| To some extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |
| To a great extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |

*Supporting comment:* *paragraphs 97-101*

The surplus/deficit of the unified budget (without the adjustments to derive the overall balance) and debt are included in the budget and monitored *ex post*. The budget also includes some information on contingent liabilities, tax expenditures, and quasi-fiscal activities, as explained in previous answers; the Stewardship chapter of *Analytical Perspectives* includes estimates of assets and liabilities (financial assets and liabilities among them), pension liabilities (as a whole, not just the unfunded part), and net worth. Contingent liabilities and quasi-fiscal activities are monitored insofar as they are included in outlays. Other amounts may be compared from time to time on an *ad hoc* basis. The *Financial Report of the U.S. Government* has a balance sheet that includes financial assets and liabilities, pension liabilities (in total, not the unfunded part), and net worth, but they are not monitored.

Lower levels of government provide many of these types of information in their budgets and financial reports, but they are not included in the Federal budget or financial reports.

### 3.1.1.3 Indicators of sustainability of fiscal policy

Which of the following techniques or indicators are used to a significant extent in fiscal policy statements? ***(Tick all applicable boxes)***

| | |
|---|---|
| Qualitative assessment of sustainability . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |
| Structural or cyclically adjusted fiscal balance . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| Sustainability calculations . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .<br>(e.g., estimates of the primary balance required to stabilize debt) | ☒ |
| Accrual based budgets and accounts . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| Generational accounts . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☐ |
| Other *(specify)* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | ☒ |

*Supporting comment:* *paragraphs 102–103*

The techniques or indicators of sustainability differ from year to year depending on economic conditions, the budgetary position of the government, and other considerations. For example, the structural deficit received more prominence during past recessions but, while still being published (in the *Analytical Perspectives* volume), provides less useful information at present. As another example, it became customary to omit deposit insurance outlays from the structural deficit during the early 1990s, when transitory outlays for that purpose were very high because of the problems of the savings and loan and bank industries.

In recent years the budget has made use of long-range projections of receipts, outlays, and the surplus/deficit extending up to 75 years (in particular, see the Stewardship chapter in *Analytical Perspectives*). Since sustainability is inherently a long-run condition, this is essential in order to judge the effect of predicable future events that cannot be reflected in the budget for the current year no matter how refined a measure is used. This also enables the analysis to estimate the future timing of problems; to judge whether they are likely to be transitory or permanent; to analyze any specific sectors where problems might arise; and to suggest where specific remedies might be made. The most obvious application at present is the effect of future demographic changes on social security and medical care programs (Medicare and Medicaid).

### 3.1.1.4 Long-term forecasting and planning

Are long-range (10–40 year) scenarios prepared?

- Rarely or not at all . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- For specific sectors . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒
  (e.g., examination of the sustainability of social security
- As a regular and integral part of fiscal policy planning and budgeting . . . . . ☒

*Supporting comment:* *paragraphs 102-103*

See the comment on question 3.1.1.3. In addition to the budget estimates, long-range actuarial reports are prepared annually for social security, medicare, and Federal employee pension plans.

### 3.1.2 Fiscal rules

*(a)* Are there fiscal rules placing limits on executive branch fiscal policy discretion?

- None are specified . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Administrative rules (i.e., without specific legislation) . . . . . . . . . . . . . . . . . ☐
- Broad qualitative rules are legislated (e.g., the "golden rule") . . . . . . . . . . . . ☐
- Specific quantitative rules are legislated (e.g., a limit on borrowing or the deficit) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*(b)* Are fiscal rules specified clearly?

- They are not well defined ........................................ ☐
- They are partially unclear ........................................ ☐
- They are well defined ........................................ ☒

| *Supporting comment:* | *paragraph 104* |
|---|---|
| Under the Budget Enforcement Act of 1990, as amended, specific quantitative rules limit actions that might be taken to increase spending or decrease receipts. The budget is divided into three parts, each with its own type of control. First, annual caps are placed on the budget authority and outlays for each fiscal year provided by discretionary appropriations. Discretionary spending has been divided into different categories in some years, each with its own caps. Second, PAYGO (pay-as-you-go) rules require a sequestration of mandatory spending programs if the estimated combined results of legislation affecting mandatory spending and receipts is an increase in the deficit for a fiscal year (social security being excluded). The PAYGO rules do not apply to changes in mandatary spending and receipts that are not the result of new laws, such as the effects of cost-of-living increases or interest rate changes or demographic effects on the number of people eligible for benefits. Third, social security has its own set of rules. For further explanation, see the Budget Concepts chapter in *Analytical Perspectives, FY 2000 Budget.* | |
| The fiscal rules are statutory and well defined. For example, under the Budget Enforcement Act of 1990, as amended, specific quantitative rules limit actions that might be taken to increase spending or decrease receipts. However, the rules are subject to periodic legislative revision and inevitable differences of interpretation at the margin. It should be kept in mind that, given the U.S. system of government, the rules should be construed as limitations on "the government" rather than "the executive branch" as asked in question 3.1.2(a). | |

### 3.1.3 Macroeconomic and fiscal forecasts

Are medium-term macroeconomic and fiscal forecasts used as a basis of fiscal policy planning and budgeting?

- Rarely ........................................ ☐
- Sometimes but their use is limited ........................................ ☐
- Generally, with some supporting analysis ........................................ ☐
- Generally, with thorough analysis of assumptions and parameters ........ ☐
- As above and they are also open to independent assessment ............. ☒

| *Supporting comment:* | *paragraph 105* |
|---|---|
| The budget estimates are for the current year, the budget year, and the four subsequent years. They are based on a macroeconomic forecast summarized in the main *Budget* volume and discussed with more detail in the economic assumptions chapter of *Analytical Perspectives.* The latter chapter also includes a comparison with the economic assumptions of the previous year's budget and the estimated effect of the change in assumptions on the budget. It also includes an analysis of the sensitivity of the budget to economic assumptions.<br>The Congressional Budget Office makes its own macroeconomic forecast, which provides an independent assessment of the forecast in the budget. It also makes its own analysis of the sensitivity of the budget to economic assumptions. | |

### 3.1.4 Existing commitments and new policies

In the budget preparation process, and in budget presentation, are **existing commitments** under current policies distinguished from **new policies**?

- Not at all or to a very limited extent ............................... ☐
- To some extent but not systematically ............................. ☐
- Systematically, as a formal part of the budget process .................. ☒

| *Supporting comment:* | *paragraph 106* |
|---|---|
| The budget provides detailed information about new policies. The main volume of the FY 2000 *Budget* has tables that show proposals for mandatory spending and receipts and tables that show outlays under existing law separately from the impact of proposed legislation. The text in the main volume generally focuses on the year-to-year change in discretionary programs and identifies new initiatives and savings in both discretionary and mandatory programs. The receipts chapter in *Analytical Perspectives* provides a short explanation of each receipt proposal and a table showing the estimated amounts.<br>The budget also distinguishes between existing commitments and new policies by publishing current services baseline estimates, which show what receipts, outlays, surpluses or deficits, and budget authority would be if no changes were made to laws already enacted. This enables the quantitative effect of new proposals to be judged by comparing the current services estimates with the estimates that the President proposes. (See the current services chapter in *Analytical Perspectives*, where budget authority and outlays are given by function, category, and program.) The Congressional Budget Office publishes baseline estimates for the Congress to use and to compare with the estimates in the President's budget. | |

### 3.1.5 Risks to the annual budget

#### 3.1.5.1 Identification of fiscal risks

Does budget documentation formally incorporate information on fiscal risks (e.g., variations in economic assumptions and the uncertain costs of specific expenditure commitments, such as financial restructuring)?

- Not at all or to a very limited extent .............................. ☐
- To some extent .............................. ☒
- Systematically .............................. ☐

| *Supporting comment:* *paragraph 107* |
| --- |
| The economic assumptions chapter in *Analytical Perspectives* contains a sensitivity analysis of the budget to the major macroeconomic variables: real GDP growth, inflation, unemployment, and interest rates (and the effect of a lower surplus on net interest outlays). The budget narrative may explain the uncertain cost of certain commitments. When an extremely large change is proposed, such as the social security reform in the FY 2000 budget, it may be separately identified in many budget tables or it may not be included in all of them. |

#### 3.1.5.2 Reliability of budget data

How should the reliability of budget revenue and expenditure estimates data be described?

- Unreliable .............................. ☐
  (e.g., based on unclear assumptions)
- Moderately reliable .............................. ☒
- Very reliable .............................. ☐

| *Supporting comment:* *paragraph 108* |
|---|
| Judging the reliability of the budget estimates for receipts, outlays, and the surplus (or deficit) immediately raises a conceptual question about the nature of the estimates. The budget estimates are not forecasts of the most likely outcome. They are the President's proposals, which Congress may or may not accept. To the extent that Congress does not enact appropriations and other legislation that the President proposes, reliability cannot be indicated by comparing the budget estimates with the subsequent actual outlays and receipts. The effects of policy differences must be factored out before "reliability" can be judged.<br>The *Analytical Perspectives* volume contains a chapter that formally analyzes the differences between the actual receipts, outlays, and surplus (or deficit) of the last completed fiscal year and these amounts on a baseline basis as estimated in the budget for that year. Differences are divided between those due to policy, technical, and economic reasons. The chapter also compares mandatory spending by program for the last completed fiscal year with the spending estimated in the budget for that year. The results of these tables can be used to judge the reliability of the estimates and to identify instances where the actual result was very different from the estimate (as in the case of the technical factors that greatly increased individual income tax receipts in FY 1997 and 1998).<br>The figures for budget authority for discretionary programs are fully reliable once the President has signed the appropriations bills passed by Congress. When this is done, the authority of agencies to enter into obligations is fixed, unless Congress passes subsequent legislation to rescind it. |

## 3.2 Budget estimates should be classified and presented in a way that facilitates policy analysis and promotes accountability.

### 3.2.1 Classification

Does the classification system provide the following? ***(Tick all applicable boxes)***

Comprehensive coverage of all budget and any extrabudgetary activities . . . ☒
Expenditure classified by individual administrative agency . . . . . . . . . . . . . . ☒
Classification of revenues, expenditures, financing, and debt in a way
that is *compatible* with GFS or a similar international standard? . . . . . . . ☐
GFS/SNA-consistent functional classification of expenditures . . . . . . . . . . . ☐

*Supporting comment:* *paragraphs 109-112*

The comprehensive coverage of the budget is discussed in the comments on questions 1.1.1, 1.1.4.1, and 2.1.1. Outlays are shown at the most detailed level by account in the *Budget Appendix* and the *Analytical Perspectives* chapter "Federal Programs by Agency and Account." The accounts are organized by the agency that administers them, and various tables throughout the budget show aggregated expenditure information by agency.

The budget also publishes outlays by function and subfunction. These categories have been used for many years, with some adjustments, and do not follow the GFS or SNA. It is nevertheless quite possible that the budget is compatible with the GFS or, with more reconciliations, the SNA. For macroeconomic analysis, the categorization of expenditure in the government sector of the national income and product accounts (published by the Bureau of Economic Analysis of the Department of Commerce) is more appropriate than any budgetary classification in use. *Analytical Perspectives* includes a chapter on Federal transactions in the national income and product accounts, including a translation of the budget through the budget year, and *Historical Tables* contains series for the Federal government on that basis since 1947.

Outlays for the budget totals are shown net of offsetting collections. The principle is that collections derived from business-type or market transactions (or intragovernmental transactions) should be offset against outlays, whereas collections derived from the government's sovereign power to demand payment should be shown as governmental receipts and compared with outlays to determine the surplus or deficit. (See report of the President's Commission on Budget Concepts.) Depending on the authorizing statute, they are subtracted at the account level or agency level, or, in exceptional cases, the level of the government as a whole. They are identified separately in the accounts so that gross outlays and their financing by offsetting collections can be distinguished. *Analytical Perspectives* has a separate chapter (chapter 24 in the *FY 2000 Budget*) that shows gross outlays by agency and in total.

### 3.2.2 Statement of objectives

Is a statement of objectives to be achieved by major government programs provided with the budget documentation?

Not at all or to a very limited extent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Sometimes . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Generally . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
As above and with some reporting of performance, output, or outcome
indicators . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

| *Supporting comment:* | *paragraphs 113-114* |
|---|---|
| All government departments and virtually every independent agency are annually required to set specific, measurable performance goals and indicators for their programs and activities. The statement of objectives is developed periodically, and, with the underlying performance goals and indicators, submitted to both the Executive of the President and the Congress with related budget documentation. This requirement was established by the Government Performance and Results Act of 1993.<br>Three parts of the main *Budget* volume of the *FY 2000 Budget* constitute a comprehensive, Government-wide performance plan in accordance with the Government Performance and Results Act of 1993 (GPRA) – chapter 1 on fiscal performance (sustaining economic growth), section IV on management performance, and section VI on program performance (by function). | |

### 3.2.3 Overall balance

*(a)* What is the main summary indicator of the government's financial position in the annual budget presentation?

Central government overall balance .............................. ☐
Central government underlying balance .......................... ☐
(i.e., overall balance net of proceeds from asset sales)
As above, with limited additional supporting analysis and indicators ...... ☐
As above, with extensive additional supporting analysis and indicators .... ☐
Other .................................................. ☒

*(b)* Is there an analytical table clearly showing the relation between the budget estimates and the overall balance?

No .................................................. ☒
Yes but it is not clear ................................ ☐
Yes and it is clear ................................... ☐

*Supporting comment:* *paragraphs 115-121*

A major summary indicator is the unified budget surplus or deficit, where the unified budget is defined as explained in the comments on questions 1.1.1, 1.1.4.1, and 2.1.1 and where the surplus or deficit is the difference between total receipts and total outlays. The concept of "overall balance" as defined in the *Draft Fiscal Transparency Manual* is not used, but the difference is probably not material. The difference has been reduced by the Federal Credit Reform Act of 1990, under which the subsidy cost of direct loans obligated after FY 1991 is included as a budget outlay while the non-subsidy portion of the loan disbursements and the loan repayments are non-budgetary.

The unified budget surplus or deficit is supplemented by the structural surplus or deficit, which is cyclically adjusted and excludes deposit insurance outlays. The cyclical adjustment is currently much smaller than during recessions, and the exclusion of deposit insurance outlays is much less important than in the early 1990s when large costs were incurred to resolve the bank and thrift institution problems. This measure has been published but not prominently shown in recent years.

The budget does not use the "overall balance," but rather the unified budget surplus or deficit (together with on- and off-budget splits). It contains many analytical tables showing clearly how the unified budget surplus or deficit is related to receipts and outlays, and it has an analytical table showing clearly how borrowing from the public is related to the unified budget surplus or deficit.

## 3.2.4 Accounting policies

### 3.2.4.1 Accounting basis (see definitions in Manual)

How are budget transactions mainly recorded?

- On a cash basis .......................................... ☒
- On a modified cash basis .......................................... ☐
- On a modified accrual basis .......................................... ☐
- On an accrual basis .......................................... ☐

*Supporting comment:* *paragraph 122*

The U.S. Federal budget may be characterized as an obligations-based budget for which the basis of measurement is mainly cash or cash-equivalent. OMB and the Treasury Department's Financial Management Service (FMS) issue guidelines that explicitly cover the accounting for and reporting of budget results.

The budget is obligations-based because Congress provides the authority (budget authority) for agencies to enter into obligations that will result in immediate or future outlays, and government officials may obligate the government to make outlays only to the extent that Congress has provided budget authority. Budget transactions are therefore recorded on an obligations basis for the purpose of budget control and justification at the budget account level. The budget program for each account in the *Appendix* is presented in terms of actual and estimated obligations for each activity. In addition, the object classes are presented in terms of actual and estimated obligations.

The basis for measuring budgetary transactions with the public is mainly cash or cash-equivalent. However, the interest on Treasury debt held by the public and the cost of direct loans and loan guarantees are recorded on an accrual basis. Budget authority for lease-purchases and capital leases is recorded on an accrual basis, as are outlays for lease-purchases without substantial private risk.

Other systems of accounting measure Federal transactions differently. Financial accounting reports are on an accrual basis for expense and exchange revenue and a modified cash basis for nonexchange revenue. The Federal sector of the national income and product accounts uses several bases, including cash and accrual, in order to maintain consistency with the timing bases used in the other sectors with which transactions take place.

### 3.2.4.2 Statement of accounting policies

Is there a statement of the accounting basis (e.g., cash or accruals) and the accounting policies adopted in the government budget and accounts?

No statement is provided . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
A partial statement is provided . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
A full statement is provided . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . *paragraph 123*

OMB, through several of its operating circulars, and FMS, through the *Treasury Financial Manual*, issues guidelines covering the accounting basis and policies adopted in the federal government budget and accounts. The chapter on Budget Concepts in *Analytical Perspectives* includes a full explanation of the measurement basis of budgetary accounting and other fundamental concepts.

Note 1 to the *Financial Report of the U.S. Government* explains the accounting basis for that financial report, and corresponding notes in agency financial reports provide agency-specific information. The Bureau of Economic Analysis has published a document, *Government Transactions* (1988), that explains how government transactions are measured in the national income and product accounts. It can be supplemented by articles in the *Survey of Current Business* on subsequent changes, such as the explanation of the new treatment of government investment and depreciation in the September 1996 issue.

## 3.3 Procedures for the execution and monitoring of approved expenditures should be clearly specified.

### 3.3.1 Accounting system

How should the accounting system be described?

It is of limited capacity and unable to generate reliable data on accounts due for payment . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
It is reasonably comprehensive and capable of generating reasonable data on accounts due for payment . . . . . . . . . . . . . . . . . . . . . . . . . ☐
It is comprehensive and capable of generating data on all stages of the payments process . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*Supporting comment:* *paragraphs 124-135*
In the U.S. Government system, payments are reported on three bases: (1) obligations, (2) accounts payable, and (3) cash. A federal agency's fund control system is part of its internal control system, which is prescribed by the Federal Managers Financial Integrity Act.

### 3.3.2 Procurement and employment

#### 3.3.2.1 Procurement and contracting

*(a)* Are there regulations requiring open tendering processes for public supply contracts?

None are in place . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
They are in place but are unclear or incomplete . . . . . . . . . . . . . . . . . . . . . . . ☐
They are clear and comprehensive . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*(b)* Are procurement regulations observed?

No . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Only partially . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
In full . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

| *Supporting comment:* | *paragraphs 136-137* |
| --- | --- |
| Procurement regulations that require the use of open tendering procedures are in place. Both selective tendering and limited tendering may be used on an exception basis and only in accordance with the regulations. All regulations are required to be published for public comment in *The Federal Register* and are in accordance with the provisions of the Agreement on Government Procurement of the World Trade Organization of which the US is a member. These regulations are required to be observed and are subject to challenge procedures by any interested supplier. | |

### 3.3.2.2 Employment

*(a)* How should government employment and pay regulations be described?

They are not well defined and allow considerable discretion . . . . . . . . . . . . . . . ☐
They are well defined but some discretion is allowed . . . . . . . . . . . . . . . . . . . . . ☐
As above, with clear criteria for discretion . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
As above and there is competitive recruitment . . . . . . . . . . . . . . . . . . . . . . . . . ☒

*(b)* Are employment and pay regulations observed?

No . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Only partially . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
In full . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒

| *Supporting comment:* | *paragraph 138* |
| --- | --- |
| Government employment and pay is heavily regulated through statutory rates for positions with defined levels of responsibilities and comprehensive administrative guidance for classifying particular responsibilities to particular pay rate. Agency compliance with rules is monitored, and noncompliance is addressed through corrective action. | |

### 3.3.3 Budget execution and control

*(a)* How should mechanisms of accounting and control (including internal audit) be described?

Weak . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Adequate . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒
Strong . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐

*(b)* Are internal audit procedures clear and subject to effective process review by external auditors?

Yes ........................................... ☒
Partially ........................................... ☐
No ........................................... ☐

| |
|---|
| *Supporting comment:* *paragraphs 125-127, 139* |
| The U.S. Government has Inspectors General (IGs). These are the senior government officials who head agency-wide, independent, audit and investigation units, called Offices of Inspector General (OIGs). These offices were created under the Inspector General Act of 1978, as amended. One of the tasks of the OIGs is to conduct and supervise audits and investigations relating to the programs and operations of their agencies. |
| To ensure their objectivity, the IG Act grants IGs the independence to determine what reviews they perform; to gain access to all documents they consider necessary for their reviews; to publish findings and recommendations based on their reviews; and to report their findings and recommendations to their agency head and to the Congress. |
| IGs do not have to clear their reports or their testimonies through their agencies or through OMB. They can and do speak directly to members of Congress and the press, without Administration clearance. Except under very limited special circumstances, they do not have to stop or start a project because anybody else (including Congress or the agency head) thinks they should. |
| IGs are also barred by the IG Act from performing program operating functions. They audit and investigate government programs, they offer advice on how government programs can work better, but they cannot step in and run any part of a government program. |
| The OIGs use Statements of Federal Financial Accounting Standards (SFFAS) as authoritative references when auditing financial statements. These Statements are first in the hierarchy of accounting principles and standards for agencies to follow in preparing financial statements in accordance with the Chief Financial Officers Act of 1990 as amended. |

## 3.4 Fiscal reporting should be timely, comprehensive, and reliable, and should identify deviations from the budget.

### 3.4.1 Periodicity and timeliness of budget outturn reports

*(a)* How frequently are central government financial accounting reports published? ***(Tick all applicable boxes)***

Annually ........................................... ☒
Half-yearly ........................................... ☒
Quarterly ........................................... ☒
Monthly ........................................... ☒

*(b)* When are annual reports audited and submitted to legislature?

- Not at all or infrequently .......................................... ☒
- After more than 12 months .......................................... ☐
- Within 12 months .......................................... ☐
- Within 6 months .......................................... ☐

*(c)* When are within-year reports provided?

- More than 2 months after month-end .......................................... ☐
- Within 2 months after month-end .......................................... ☐
- Within 1 month after month-end .......................................... ☒

*(d)* Do lower levels of government meet similar standards?

- Not at all or to a limited extent .......................................... ☐
- Reasonably well .......................................... ☐
- To a great extent or completely .......................................... ☐

**Not applicable - see Supporting Comment**

*Supporting comment:* *paragraphs 140-145*

The U.S. Government distinguishes between budgetary accounting, national income and product accounting, and financial accounting. The boxes in the questionnaire were checked for budgetary accounting, but the following remarks cover all three types of accounting.

Treasury publishes budgetary reports monthly within one month after month-end in the *Monthly Treasury Statement of Receipts and Outlays*. It also publishes a much more detailed *United States Government Annual Report - Appendix* within about 4 months of year-end. OMB publishes the budget, which includes detailed information on the last completed fiscal year (and historical tables), also about 4 months after the end of the fiscal year. These statements are not audited.

The Bureau of Economic Analysis (Department of Commerce) publishes the national income and product accounts of the United States throughout the year, which are used for macroeconomic analysis and forecasting. The table on Federal Government receipts and current expenditures contains quarterly data and is updated throughout the year on a regular schedule (table 3.2). Gross investment and consumption tables for the Federal Government are published with the same frequency. Other detailed tables on Federal Government receipts and expenditures are published in the annual revisions.

Treasury publishes the *Financial Report of the U.S. Government* based on financial accounting standards and principles. It is an annual report, published within 6 months of year end, and audited by the General Accounting Office (GAO). It has only been audited for the past two years, and GAO issued disclaimers of opinion.

Lower levels of government publish their own budgets, including information about actual receipts and expenditures, and their own financial reports. Financial reports are generally audited. The national income and product accounts include tables on state and local government receipts and expenditures like those of the Federal government, and they are updated on the same schedule. The Census Bureau publishes annual reports on state and local government finances.

## 3.4.2 Presentation of final accounts

### 3.4.2.1 Coverage

(a) What do the final financial accounting reports of central government cover? ***(Tick all applicable boxes)***

- Central government budget only . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☒
  (Indicate any issues with specific areas of the budget such as foreign-financed development expenditure in the comment)
- As above and some extrabudgetary funds . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- As above and all extrabudgetary funds . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Budgets of lower levels of government . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
- Quasi-fiscal activities . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐

*Supporting comment:* *paragraph 145*

The U.S. Government has different types of final financial account reports. One set is based on a combination of "obligations" and "cash. The other set is based on "accruals". The standards of coverage are high in both types.

Reports Based on Cash and Obligations. OMB requires final Reports on Budget Execution for every expenditure account of the Federal Government, including government corporations. The Reports present:

- all the budgetary resources of the account;
- obligations that have been recorded against the budgetary resources; and
- outlays (primarily cash) that have been made to liquidate the obligations.

The final results of these accounts are published annually in the *Treasury Annual Report Appendix* and also in the *Budget Appendix* volume of the President's Budget. In addition, the *Budget Appendix* contains information on Government-sponsored enterprises, which are established and chartered by the Federal Government. They are not included in the Federal budget totals because they are considered to be private entities. However, because of their relationship to the Government, statements of financial operation and condition are presented. Also, information on the Board of Governors of the Federal Reserve System is presented in the *Budget Appendix*.

Each department and agency is also required to prepare a Statement of Budgetary Resources as part of their audited Financial Statements.

Reports Based on Accruals. The standards of coverage used to determine which components are to be included in the financial statements of the U.S. Government that are prepared on an accrual basis, e.g., the Balance Sheet and the Statement on Operations, are high. Two criteria are used. The first is the "conclusive" criterion. The second is the "indicative" criterion.

The conclusive criterion is basically an inherent conclusion that for financial reporting purposes, any organization meeting this criterion is part of a specified larger entity. Appearance in the *Budget of the United States Government* is a conclusive criterion. Any organization, program or budget account, including government corporations, is considered part of the Federal Government, as well as part of the executive department or agency with which it appears.

The indicative criteria described below are considered in the aggregate when determining which components to include in the U.S. Government's financial statement.

- It exercises any sovereign power of the Federal Government to carry out Federal functions.
- It is owned by the Federal Government.
- It is subject to the direct or continuing administrative control of an executive department or agency.
- It carries out Federal missions and objectives.
- It determines the outcome or disposition of matters affecting the recipients of services that the Federal Government provides.
- It has a fiduciary relationship with an executive department or agency.

The Federal Reserve System, i.e., the Board of Governors of the Federal Reserve System and the Federal Reserve Banks, could be considered as functioning consistent with the indicative criterion. However, organizations and functions pertaining to monetary policy are traditionally separate from and independent of the other central government organizations and functions. Therefore, the Federal Reserve System is not considered part of the government-wide reporting entity.

The Legislative and Judicial branches of the United States government are not required by statute to be included in the *Financial Report of the United States Government*, although some entities within these branches voluntarily provide information that is included.

3.4.2.2 Reconciliation

*(a)* How are accounting reports reconciled with budget appropriations?

Ineffectively and not in a timely way ........................................ ☐
Fairly effectively but not in a timely way ................................. ☐
Effectively and in a timely way ................................................ ☒

*(b)* How are accounting reports reconciled with bank accounts?

Ineffectively and not in a timely way ........................................ ☐
Fairly effectively but not in a timely way ................................. ☒
Effectively and in a timely way ................................................ ☐

*(c)* How is the auditing of accounting reports carried out?

Ineffectively and not in a timely way ........................................ ☐
Fairly effectively but not in a timely way ................................. ☐
Effectively and in a timely way ................................................ ☒

*Supporting comment:* *paragraph 142*

There are many levels of reconciliation that occur routinely. In the Reports on Budget Execution, the budgetary resources are classified as budget authority, spending authority from offsetting collections, and recoveries of prior year obligations. The amounts of budget authority are further classified as appropriations, borrowing authority, and contract authority. These amounts are reconciled with the end-of-year amounts in the central accounts of the Treasury which are published in the *Treasury Annual Report Appendix*. The amounts in the actual year column of the President's Budget (*Budget Appendix)* are reconciled with the amounts in the accounts published in the *Treasury Annual Report Appendix.*

As mentioned above, each major department or agency has an independent statutory inspector general (IG). The Office of the IG either conducts the audit directly or contracts for the audit. The contracts are normally with private sector accounting firms. The General Accounting Office in the Legislative Branch also has the authority to conduct audits and is the auditor of the *Financial Report of the United States Government*. Its most recent audit of this report included a significant audit finding concerning the failure by several major agencies to reconcile cash disbursements with financial records.

3.4.3 Results achieved against objectives

Which of the following have been adopted to measure and assess the value, efficiency, or effectiveness of public activities? ***(Tick all applicable boxes)***

- Review of the success of major programs in achieving their announced objectives .................................................. ☒
- Ad hoc sectoral or program reviews .................................. ☐
- Regular program reviews .................................................. ☐
- Systematic government evaluation of efficiency and effectiveness ........ ☒
- Performance agreements specifying expected outputs .................. ☒
- Performance or value for money audits ............................ ☐

| *Supporting comment:* *paragraph 146* |
|---|
| All government departments and virtually every independent agency is annually required to report on its achievement, or lack thereof, of the performance goals and indicators that were provided to the Executive Office of the President and the Congress with the related budget documentation (see also the comment on question 3.2.2) Several departments and agencies use performance agreements to help set performance measures and reporting on their achievement. These performance agreements complement the systematic collection and reporting of performance. The requirement for program evaluations and systematic reporting of program results and success was established by the Government Performance and Results Act of 1993. |

## IV. INDEPENDENT ASSURANCES OF INTEGRITY

### 4.1 The integrity of fiscal information should be subject to public and independent scrutiny.

4.1.1 National audit body

*(a)* How should external audit arrangements be described?

- There is no formal external audit of government accounts .............. ☐
- The audit authority reports only within the executive .................. ☐
  (e.g., to the president)
- A national audit body, independent of the executive, audits government accounts and reports to the legislature ............................ ☐

**Not applicable - see Supporting Comment**

*(b)* How is the independence of the national audit body from the executive established?

It is not clearly set out in law . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
It is established in law . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
It is established in the constitution . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
**Not applicable - see Supporting Comment**

*(c)* Are there institutional arrangements to ensure that the findings of external audits are addressed?

None are place . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
They are in place but not very effective . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
They are in place and effective . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
**Not applicable - see Supporting Comment**

*(d)* What mandate and technical capacity does the national audit body have? ***(Tick one box in (i) and (ii))***

*(i)* A limited mandate mainly covering financial compliance . . . . . . . . . . . . . . . ☐
A mandate covering performance as well as financial compliance . . . . . . . . ☐

*(ii)* Limited technical capacity . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Moderate technical capacity . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
Sound technical capacity . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐
**Not applicable - see Supporting Comment**

*Supporting comment:* *paragraphs 149-155*

Budgetary reports – based on budgetary accounting concepts and rules – are not audited, although some budgetary information that appears in financial reports is audited.

Financial reports – based on financial accounting standards and principles – are prepared and audited for the cabinet departments, major independent agencies, and some of their components according to the provisions of the Chief Financial Officers Act of 1990 (CFO Act), as amended. These reports may be audited by the agency's Inspector General, or by a private accounting firm, as determined by the Inspector General, or in some cases by the General Accounting Office (GAO), such as with its audit of the Bureau of the Public Debt's schedule of federal debt. The financial report for the government as a whole is audited by the GAO as required by the Government Management Reform Act of 1994. The independence of the Inspectors General and GAO (which is part of the legislative branch) is established in law. Government corporations may also be required to have independently audited financial reports under other legislation. Agencies are encouraged to address adverse findings in order to meet professional standards and presidential goals and to avoid public and political criticism. The Office of Management and Budget works with the agencies to take steps to obtain unqualified opinions. Congress may hold hearings and address its concerns in various ways. Financial reports have been required for only a very few years, and the number of unqualified opinions has significantly improved.

The financial reports of departments and major agencies include some budgetary information: (a) a statement of budgetary resources that shows the relationship between budgetary resources, obligations, and outlays and (b) a statement of financing that shows the relationship between obligations and net cost of operations. These are defined as basic statements for each reporting entity as a whole and therefore are subject to the same auditing requirements as the statement of net cost and balance sheet. In addition, the same information as on the statement of budgetary resources is also required for major accounts as supplementary information. Auditing these statements should provide some assurance about the quality of budgetary data. Since these statements were first required in the financial reports for FY 1998, it is too early to judge their effectiveness.

### 4.1.2 Availability of macroeconomic forecasts

Are macroeconomic forecasts and any models used to generate them open to external scrutiny?

No .......................................... ☐
Yes .......................................... ☐
Yes and there are formal institutional arrangements to assure quality ...... ☐
**See Supporting Comment**

*Supporting comment:* *paragraphs 156-158*

The macroeconomic forecast used for the budget is summarized in the main *Budget* and is presented in more detail and explained in the economic assumptions chapter of *Analytical Perspectives*. The models and detailed judgmental assumptions underlying the forecast are not made public. As a formal, institutional check on quality, the Congressional Budget Office, which is part of the legislative branch, regularly publishes its own macroeconomic and budget forecasts.

### 4.1.3 Integrity of statistics

#### 4.1.3.1 National statistics office

Is the national statistics office technically independent?

- There is no explicit legislative technical independence ................. ☐
- There are limited provisions for noninterference ...................... ☐
- There is statutory assurance of technical independence ................. ☐
- **Not applicable - see Supporting Comment**

#### 4.1.3.2 Data integrity and quality

Are the standards for data integrity and quality set out in the IMF's General Data Dissemination System (GDDS) adhered to?

- Yes .................................................. ☐
- Partially .............................................. ☐
- No ................................................... ☐
- **Not applicable - see Supporting Comment**

*Supporting comment:* *paragraphs 159-160*

There is no national statistics office, as such. Fiscal statistics are collected by the Department of the Treasury and OMB. Other statistics are collected by a variety of Federal agencies, e.g., the Bureau of the Census and the Bureau of Labor Statistics. The Congress, with the assistance of the General Accounting Office (a Legislative Branch agency), provides independent oversight for statistical activities.

While we know of no effort to assess U.S. fiscal statistics adherence to the GDDS standards, it is likely that the standards are met or exceeded.