

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

# ***Federal Oversight: The Need for Good Governance, Transparency, and Accountability***

**The Honorable David M. Walker  
Comptroller General of the United  
States**

**National Conference  
President's Council on Integrity and  
Efficiency & Executive Council on  
Integrity and Efficiency**

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# The Need for Good Governance, Transparency, and Accountability

## **Good governance, transparency, and accountability are critical in:**

- The private sector, to promote efficiency and effectiveness in the capital and credit markets, and overall economic growth, both domestically and internationally
- The public sector, for the effective and credible functioning of a healthy democracy, and in fulfilling the government's responsibility to citizens and taxpayers
- The independent (not-for-profit) sector, to promote the proper use of resources consistent with the organization's mission and applicable laws and to maintain the trust and confidence of contributors
- All sectors, to support a healthy economy that provides economic opportunities and benefits to citizens

**Sorting out the needs—as well as the effective and appropriate governance and accountability mechanisms for different sectors and types of organizations—will be essential, both on a domestic and international scale**

# Accountability Risks in the Federal Government

**In the U.S., government accountability professionals face many challenges:**

- A number of “high-risk areas” and “major management challenges”
- Current trends and challenges that have no boundaries
- A range of fiscal and other sustainability challenges that grow over time
- The failure to link resources and authorities to results (outcomes)
- Rising expectations for demonstrable results and enhanced responsiveness
- A number of outdated federal policies, programs, structures, and activities

**Our challenge is huge and growing bigger each year**

# GAO's High- Risk List 2007

## Addressing Challenges in Broad-based Transformations

	Year Designated
• Strategic Human Capital Management <sup>a</sup>	2001
• Managing Federal Real Property <sup>a</sup>	2003
• Protecting the Federal Government's Information Systems and the Nations' Critical Infrastructures	1997
• Implementing and Transforming the Department of Homeland Security	2003
• Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
• DOD Approach to Business Transformation <sup>a</sup>	2005
• DOD Business Systems Modernization	1995
• DOD Personnel Security Clearance Program	2005
• DOD Support Infrastructure Management	1997
• DOD Financial Management	1995
• DOD Supply Chain Management	1990
• DOD Weapon Systems Acquisition	1990
• FAA Air Traffic Control Modernization	1995
• Financing the Nation's Transportation System <sup>a</sup> (New)	2007
• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests <sup>a</sup> (New)	2007
• Transforming Federal Oversight of Food Safety <sup>a</sup> (New)	2007

## Managing Federal Contracting More Effectively

• DOD Contract Management	1992
• DOE Contract Management	1990
• NASA Contract Management	1990
• Management of Interagency Contracting	2005

## Assessing the Efficiency and Effectiveness of Tax Law Administration

• Enforcement of Tax Laws <sup>a</sup>	1990
• IRS Business Systems Modernization	1995

## Modernizing and Safeguarding Insurance and Benefit Programs

• Modernizing Federal Disability Programs <sup>a</sup>	2003
• Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program	2003
• Medicare Program <sup>a</sup>	1990
• Medicaid Program <sup>a</sup>	2003
• National Flood Insurance Program <sup>a</sup>	2006

# Three Suggested Areas of Congressional Oversight Going Forward

- Targets for near-term oversight (e.g., reducing the tax gap)
- Policies and programs that are in need of fundamental reform and re-engineering (e.g., reviewing U.S. and coalition efforts to stabilize and rebuild Iraq and Afghanistan)
- Governance issues that should be addressed to help ensure an economical, efficient, effective, ethical, and equitable federal government capable of responding to the various challenges and capitalizing on related opportunities in the 21st century (e.g., reviewing the effectiveness of the federal audit and accountability community, including the oversight, structure, and division of responsibility)

# Congressional Oversight Areas Related to the Accountability Community

- Review the Single Audit Act and propose reforms to ensure continuing effective oversight of the more than \$300 billion in annual federal grants awarded to nonfederal entities
- Schedule a series of oversight hearings to deliberate GAO's and the IGs' roles, responsibilities, results, and proposed reforms
- Establish a government-wide accountability council to establish priorities and develop strategies to address federal accountability issues among GAO, OMB, PCIE, the ECIE, and other oversight organizations

# SERVING THE CONGRESS AND THE NATION

## GAO'S STRATEGIC PLAN FRAMEWORK

### MISSION

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

### THEMES

Changing Security Threats

Sustainability Concerns

Economic Growth & Competitiveness

Global Interdependency

Societal Change

Quality of Life

Science & Technology

### GOALS & OBJECTIVES

Provide Timely, Quality Service to the Congress and the Federal Government to . . .  
 . . . Address Current and Emerging Challenges to the Well-being and Financial Security of the American People *related to . . .*

- Health care needs
- Lifelong learning
- Work benefits and protections
- Financial security

- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

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

- Homeland security
- Military capabilities and readiness

- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges *by assessing . . .*

- Roles in achieving federal objectives
- Government transformation

- Key management challenges and program risks
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization *in the areas of . . .*

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience

- Process improvement
- Employer of choice

### CORE VALUES

Accountability

Integrity

Reliability

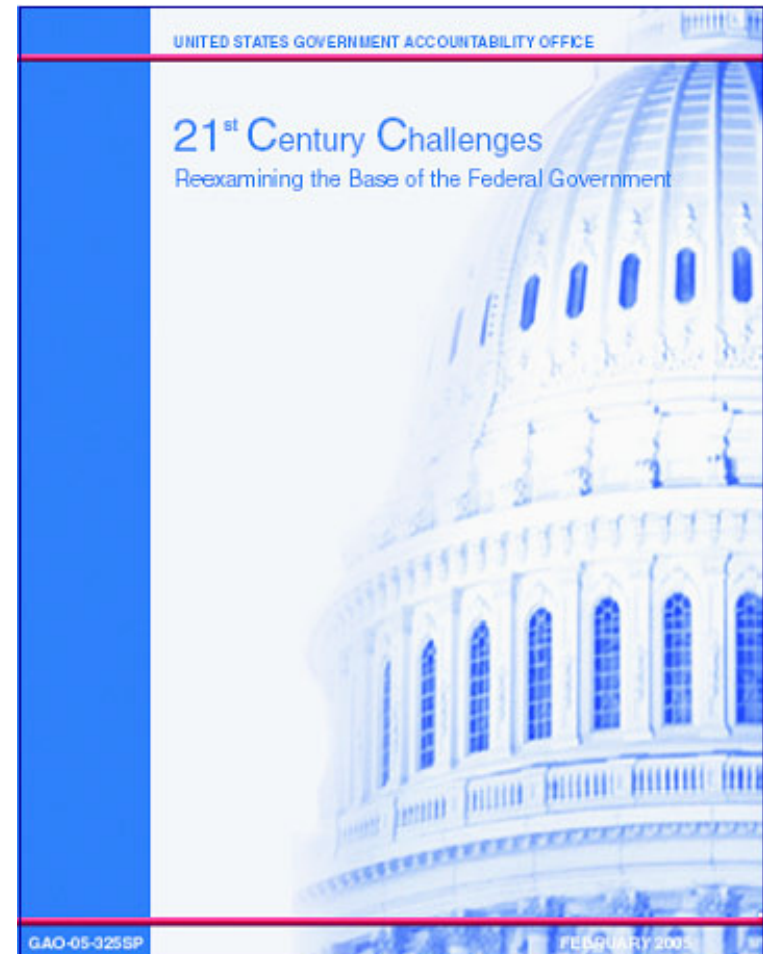
# Just One of Our Seven Themes: *Selected Sustainability Challenges*

- Fiscal Deficits and Debt Burdens
- Health Care Quality, Access, and Costs
- Defense and Homeland Security Strategies
- Social Insurance Commitments
- Tax Gaps and Policies
- Energy, Environment, and Resource Protection
- Immigration Policies



# 21<sup>st</sup> Century Challenges Report

- Provides background, framework, and questions to assist in reexamining the base
- Covers entitlements & other mandatory spending, discretionary spending, and tax policies and programs
- Based on GAO's work for the Congress



Source: GAO.

# Twelve Reexamination Areas

## MISSION AREAS

- Defense
- Education & Employment
- Financial Regulation & Housing
- Health Care
- Homeland Security
- International Affairs
- Natural Resources, Energy & Environment
- Retirement & Disability
- Science & Technology
- Transportation

## CROSSCUTTING AREAS

- Improving Governance
- Reexamining the Tax System

# Generic Reexamination Criteria and Sample Questions

## ■ **Relevance of purpose and the federal role**

Why did the federal government initiate this program and what was the government trying to accomplish?

Have there been significant changes in the country or the world that relate to the reason for initiating it?

## ■ **Measuring success**

Are there outcome-based measures? If not, why?

If there are outcome-based measures, how successful is it based on these measures?

## ■ **Targeting benefits**

Is it well targeted to those with the greatest needs and the least capacity to meet those needs?

## ■ **Affordability and cost effectiveness**

Is it using the most cost-effective or net beneficial approaches when compared to other tools and program designs?

## ■ **Best practices**

Is the responsible entity employing prevailing best practices to discharge its responsibilities and achieve its mission?

# The Objective of Transformation

**To create a more positive future  
by maximizing value and  
mitigating risk within current  
and expected resource levels**

# Accountability Organization Maturity Model



Source: GAO.

# Key Oversight Concepts

- Oversight is a key constitutional responsibility of the Congress
- Oversight is critical to providing the necessary checks and balances to maximize the government's performance, assure its accountability, and prevent the abuse of government power
- History shows that oversight decreases with one-party rule
- Oversight should be focused on improving performance and assuring accountability
- It is essential that oversight be balanced and constructive by highlighting what is working well—including best practices—as well as identifying shortcomings to prevent repetition of mistakes
- Accountability organizations should employ a “constructive engagement” approach while maintaining their independence
- Accountability organizations should also “partner for progress” in order to maximize value and mitigate risk while leveraging available resources and minimizing duplication of effort

# Key Oversight Concept: *Constructive Engagement*

**Constructive engagement involves both a philosophical approach to the conduct of GAO's work as well as certain types of analyses themselves**

**From a philosophical standpoint**, GAO seeks to point out both positive performance and areas in need of improvement. We also attempt to consider our findings in a fair and balanced light, with the appropriate degree of contextual sophistication (e.g., absolute, trend, and relative performance; inter-relationships between issues)

**From the standpoint of a particular study**, constructive engagement typically involves GAO sharing its considerable knowledge and government-wide perspective, including related methodologies and best practices, to help agencies help themselves

# Definition of Waste

Waste involves the taxpayers as a whole not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by players with control over or access to government resources (e.g., executive, judicial, or legislative branch employees, contractors, grantees, or other recipients)

Importantly, waste represents a transgression that is less than fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, or inadequate oversight



# Examples of Waste

## **Illustrative examples of waste in the acquisitions and contracting area could include:**

- Unreasonable, unrealistic, inadequate, or frequently changing requirements
- Failure to use competitive bidding in appropriate circumstances
- Failure to engage in selected pre-contracting activities for contingent events (e.g., hurricanes, military conflicts)
- Congressional directions (e.g., earmarks), and agency spending actions where the action would not otherwise be taken based on an objective value and risk assessment and considering available resources

# GAO'S Key Accountability Partnerships

**Internationally**, GAO coordinates with the International Organization of Supreme Audit Institutions ( INTOSAI) and the Global Working Group (GWG)

**On the domestic side**, GAO collaborates with the:

- National Intergovernmental Audit Forum (NIAF)
- Domestic Working Group (DWG)


# NIAF: Convening Federal, State, and Local Auditors

## **GAO administers the NIAF to:**

- Provide opportunities for federal, state, and local auditors to meet, discuss, and devise effective solutions for audit issues of mutual concern, thereby improving accounting and financial reporting in the government

**There are also 10 regional forums. On even years there is a Biennial Conference in which the National and regional forums meet together**

# NIAF Strategic Plan



NATIONAL INTERGOVERNMENTAL AUDIT FORUM

*Strategic Plan*  
2005 – 2010

### Mission

The National Intergovernmental Audit Forum (National Forum) is an association of audit executives from federal, state, and local governments. It exists to improve coordination, communication, and cooperation among its members, private sector firms, and other accountability organizations in order to address common challenges; enhance government performance, accountability, and transparency; and increase public trust.

### Themes

- Governance
- Fiscal constraints
- Human capital
- Homeland security
- Technology
- Interdependence
- Quality of life issues

### Strategic Goals

- Foster networking, dialogue, and collaboration on current and emerging issues of common interest within the accountability community
- Enhance the capability, credibility, capacity, effectiveness, and professionalism of audit organizations by advancing audit standards, sharing best practices, and emphasizing the importance of accountability within government and the audit profession
- Improve the Forum's outreach, management, and impact to assist members in transforming government operations

### Core Values

Collaboration	Professionalism	Integrity
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# DWG: Convening IGs and State and Local Auditors

- **GAO established DWG to:**
  - Discuss mutual challenges
  - Share experiences
  - Identify opportunities for collaboration with each other
  - Conduct selected DWG projects and promote other cooperative and coordinated efforts (e.g., Hurricane Katrina)
- **DWG is currently comprised of 6 IGs, 7 state auditors, and 6 local auditors**
- **DWG's current projects:**
  - Governance
  - Long-Term Fiscal Challenges
  - Pandemic Flu
  - Tax Gap

# GAO's Panel on Federal Oversight and Inspectors General

To provide us with a foundation of views and information, GAO convened a panel on May 11, 2006 of knowledgeable and recognized experts to discuss:

- *Terms of IG office and removal*
- *Qualifications*
- *Budgets*
- *A joint statutory IG council*
- *IG pay*
- *Investigative and law enforcement authorities*
- *IG inspections*
- *IG conversion to presidential appointment*
- *IG consolidation*

Panel participants included current and past administration officials, current PCIE and ECIE leadership, former IGs, participants from research organizations and academia, and congressional staff

# Selected Observations From the Panel

- The majority of the panel participants did not favor statutorily establishing a fixed term of office for IGs, but did support a statutory requirement to notify the Congress in writing in advance of removing an IG, with an explanation of the reason for removal
- The panel participants had mixed views about whether the IGs should submit their budgets directly to OMB and to the Congress
- The panel participants supported the roles and functions of the current PCIE and ECIE, but had mixed views about statutorily establishing a joint IG council
- The majority of panel participants stated that the pay structure for IGs needs to be addressed. The discussion included the importance of:
  - providing reasonable and competitive compensation
  - maintaining the IGs' independence in reporting the results of their work
  - possibly providing IGs with performance evaluations that could be used to justify higher pay.

# GAO Reviews of IGs

- State Department Office of Inspector General (GAO-07-138)
- **CG's Panel on Federal Oversight and IGs** (GAO-06-931SP)
- Independence of UN's Internal Auditors (GAO-06-575)
- Treasury IG for Tax Administration (GAO-05-999R)
- Amtrak Inspector General (GAO-05-306R)
- Oversight Challenges at the Kennedy Center (GAO-05-334)
- **Enhancing Federal Accountability** (GAO-04-117T)
- Review of HHS IG Operations (GAO-03-685)
- **IG Office Consolidation and Related Issues** (GAO-02-575)
- DOD IG Peer Reviews (GAO-02-253R)
- Export-Import Bank IG Oversight (GAO-01-794)
- HUD Oversight of Operation Safe Home (GAO-01-794)



# **Consolidated Financial Statements**

## ***Obstacles Preventing an Opinion***

**Three major impediments, which have existed for the entire 10-year period that GAO has been required to perform this annual audit, continue to prevent us from rendering an opinion on the U.S. government's consolidated financial statements:**

- 1. The deeply rooted, long-standing, and pervasive financial management problems in DOD**
- 2. The federal government's inability to adequately account for and reconcile significant amounts in intra-governmental activity and balances between federal agencies**
- 3. The federal government's ineffective process for preparing the consolidated financial statements**

# Consolidated Financial Statements

## *Possible Ways Forward*

**Resolving the weaknesses in the systems, controls, and procedures for preparing the consolidated financial statements will require a strong commitment from Treasury and OMB. In addition, the following actions should be considered and supported:**

- Enhanced fiscal sustainability and inter-generational equity reporting, including FASAB's related efforts
- The reporting of key outcome-based performance information, as well as the role of a balance sheet in the federal government reporting model
- The preparation and publication of an easily understandable summary annual report that includes in a clear, concise, and transparent manner, key financial and performance information embodied in the *Financial Report of the United States Government*

# Financial Reporting

## *Improving Transparency of Long-term Costs Before Decisions Are Made*

- **Require supplemental reporting in the President's annual budget submission** (e.g., require the President to state a fiscal policy philosophy, present a budget path for at least 10 years, and prepare a Fiscal Exposures Statement covering at least 40 years in each annual budget submission)
- **Require additional executive branch reports** (e.g., require a summary annual report on key financial and performance information, and a periodic report on long-range fiscal sustainability)
- **Require CBO and JCT to provide additional cost information** on major spending and tax proposals before adoption
- **Require GAO to publish an annual report** that would include, among things: comments on whether the President and CBO/JCT met the new reporting requirements specified above
- **Consider changing the budget treatment in certain areas** (e.g., expanding use of accrual budgeting)
- **Consider creating budget concepts and reform commission** to address issues such as PAYGO, budget caps and triggers, the use of supplementals, and other matters (e.g., earmarks)

# Illustrative Examples of GAO's Work to Modernize the Accountability Profession

- Leading strategic planning and coordination efforts with major accountability organizations around the world (e.g., INTOSAI, GWG) and domestically (e.g., NIAF and DWG) that include oversight, insight, and foresight dimensions
- Enhancing federal financial reporting (e.g., social insurance, restricted revenues, fiscal sustainability, generational equity, and performance) and pursuing publication of a summary annual report
- Promoting the modernization of the accounting/reporting models (e.g., IFAC, FASB, GASB, FASAB) and other assurance models (e.g., IAASB)

# Illustrative Examples of GAO's Work to Modernize the Accountability Profession

- Creating the U.S Auditing Standards Coordinating Forum (i.e., GAO, PCAOB, ASB), which among other efforts, develops strategies for overcoming challenges and barriers to modernizing the auditing profession in the U.S.
- Monitoring implementation of the Sarbanes-Oxley Act and considering whether reform elements similar to those in Sarbanes-Oxley make sense for the federal government
- Modernizing Generally Accepted Government Auditing Standards (Yellow Book)
- Pursuing the design and adoption of key national indicators

# **GAO's 2006 Yellow Book Update** *Effective for Audits Beginning on or After January 1, 2008*

## **Major areas of revisions:**

- Bringing performance audits under a professional assurance framework using concepts of audit risk, significance, and sufficient, appropriate evidence
- Emphasizing the critical role of government audits in achieving credibility and accountability in government
- Expanding and strengthening the discussion and guidance on audit quality
- Outlining overarching ethical framework in government audits
- Modernizing GAGAS and updating for major developments in the accountability and audit environment

# Key National Indicators

- **WHAT:** A portfolio of economic, social, and environmental outcome-based measures that could be used to help assess the nation's and other governmental jurisdictions' position and progress
- **WHO:** Many countries and several states, regions, and localities have already undertaken related initiatives (e.g., Australia, New Zealand, Canada, United Kingdom, Oregon, Silicon Valley (California) and Boston).
- **WHY:** Development of such a portfolio of indicators could have a number of possible benefits, including
  - Serving as a framework for related strategic planning efforts
  - Enhancing performance and accountability reporting
  - Informing public policy decisions, including much needed baseline reviews of existing government policies, programs, functions, and activities
  - Facilitating public education and debate as well as an informed electorate
- **WAY FORWARD:** Consortium of key players housed by the National Academies domestically and related efforts by the OECD and others internationally

# Key National Indicators: *Where the United States Ranks*

The United States may be the only superpower, but compared to most other OECD countries on selected key economic, social, and environmental indicators, on average, the U.S. ranks

# 16 OUT OF 28

OECD Categories for Key Indicators  
(2006 OECD Factbook)

• Population/Migration	• Energy	• Environment	• Quality of Life
• Macroeconomic Trends	• Labor Market	• Education	• Economic Globalization
• Prices	• Science & Tech.	• Public Finance	

Source: 2006 OECD Factbook.



# Key Responsibilities for the Accountability Community

- *Ferreting Out Fraud, Waste, and Abuse*
- *Seeking More Efficient and Effective Government*
- *Providing Perspective*
- *Leading By Example*
- *Building Partnerships*
- *Modernizing the Profession*

# Key Leadership Attributes Needed for These Challenging and Changing Times

- ***Courage***
- ***Integrity***
- ***Creativity***
- ***Stewardship***
- ***Partnership***

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## On the Web

Web site: [www.gao.gov/cghome.htm](http://www.gao.gov/cghome.htm)

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## Contact

Paul Anderson, Managing Director, Public Affairs  
[AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office  
441 G Street NW, Room 7149  
Washington, D.C. 20548

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