



KEY FISCAL CHALLENGES FACING THE ACCOUNTABILITY COMMUNITY

**Before the 2009 AGA Southeast Region
Professional Development Conference
Nashville, TN
April 2, 2009**

**By Gene L. Dodaro
Acting Comptroller General**

Outline

- Financial Markets and Economic Recovery
- Transition – New President and Congress
- Long-Term Fiscal Outlook and Risks

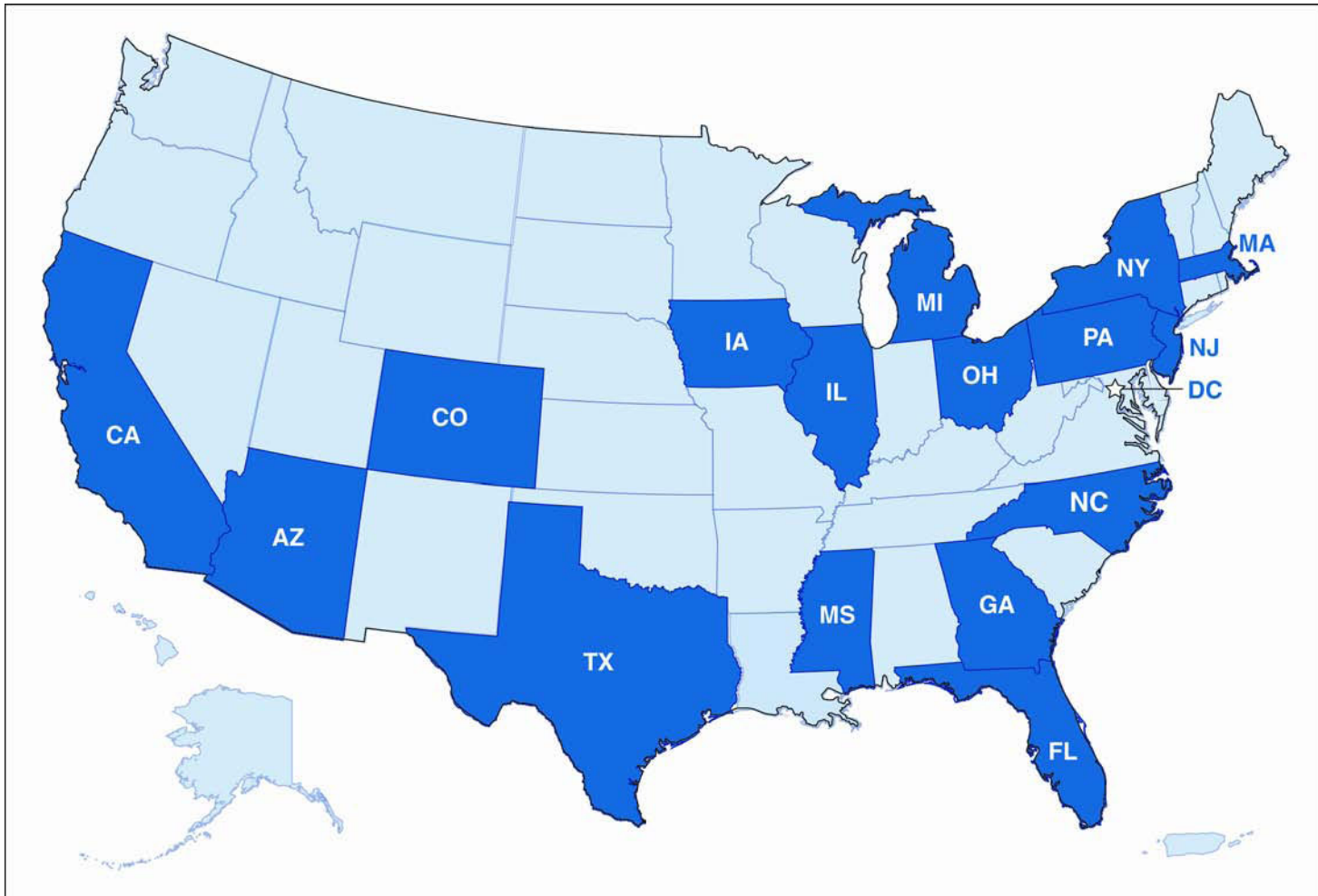
American Recovery & Reinvestment Act

- Signed February 17, 2009
- Purpose:
 - preserve and create jobs and promote recovery
 - assist those most impacted by the recession
 - invest in science and health-care technology
 - invest in infrastructure
 - stabilize state and local government budgets
- Total cost, tax and spending: \$787 billion, including over \$580 billion in additional spending (CBO Estimate)

American Recovery & Reinvestment Act

- Inspectors General review federal program and agency implementation
- Recovery Accountability and Transparency Board
- GAO responsibilities include:
 - conducting bimonthly reviews of selected state and localities
 - commenting on the estimates of the number of jobs
 - reviewing areas such as trade adjustment assistance, new education incentive grants, and efforts to increase small business lending

American Recovery & Reinvestment Act



Source: GAO analysis.

American Recovery & Reinvestment Act

Challenges for the federal, state and local accountability community.

- Expectations for “an unprecedented level of transparency and accountability”
- Qualified personnel need to implement proper controls and accountability at all levels of government
- Close federal, state, and local government coordination needed
- Experience has shown that the risk for fraud and abuse grows when billions of dollars are going out quickly, eligibility requirements are being established or changed, and new programs are being created

Financial Institutions and Markets

- GAO Role in Financial Rescue
- Auditors of Bank Insurance Fund, FHFA, TARP, and U.S. Government Financial Statements
- Financial Regulatory System

Financial Institutions and Markets

- Emergency Economic Stability Act of 2008 created \$700 billion TARP in October 2008
- GAO given statutory oversight role
- GAO's TARP reports recommendations follow 3 themes:
 - Monitoring the use of funds to meet the Act's objectives
 - Articulating a better communication strategy
 - Ensuring effective Treasury management structure

Modernizing The U.S. Financial Regulatory System

Financial Regulation: A Framework for Crafting and Assessing Proposals to Modernize the Outdated U.S. Financial Regulatory System (GAO-09-216, Jan. 8, 2009)

- Explains the origins of the current financial regulatory system
- Describes market developments and changes that pose challenges to the current system
- Presents an evaluation framework that Congress and others can use to craft or evaluate potential regulatory reform efforts

Regulatory System Outdated

Risks Posed By:

- Emergence of large, complex, and interconnected financial conglomerates
- Less-regulated entities are playing increasingly critical roles in the financial system
- New and complex products pose challenges to system stability and consumer protection

Crafting or Assessing Regulatory Reform Proposals: GAO Framework—9 Essential Characteristics

- Clearly defined regulatory goals in statute
- Appropriately comprehensive
- Systemwide focus
- Flexible and adaptable
- Efficient and effective
- Consistent consumer and investor protections
- Regulators provided with independence, prominence, authority, and accountability
- Consistent financial oversight
- Minimal taxpayer exposure

Transition: Assisting The New Administration & The New Congress



In the Spotlight

- Reporting Stimulus Fraud (PDF)
- Cost Estimating Guide Released
- E-mail Scam Alert
- 2009 High-Risk List Released (PDF)
- Citizens' Report: FY 2008 Summary of GAO's Performance
- TARP and Problems in Financial Markets
- Iraq and Afghanistan
- Military and Veterans Health Care and Disability Benefits



GAO was ranked one of the best places to work in the Federal Government in 2007. The ranking is typically released every two years.
[Read More \(PDF\)](#)

Welcome to GAO

The U.S. Government Accountability Office (GAO) is known as "the investigative arm of Congress" and "the congressional watchdog." GAO supports the Congress in meeting its constitutional responsibilities and helps improve the performance and accountability of the federal government for the benefit of the American people. [Read More About GAO](#)

Recently Issued Products

- Reports & Testimonies**
- Legal Decisions & Opinions
- Comptroller General Presentations

Recently released reports and testimonies are listed below. Our congressional requesters may hold reports up to 30 days before making them publicly available, so some may have earlier issue dates.

[Go to the Reports & Testimonies Page](#)

March 31, 2009

Review of Special Counsel Expenses for 6 Months Ended September 30, 2008
GAO-09-367R, March 31, 2009
[Summary \(HTML\)](#) [Full Report \(PDF, 6 pages\)](#)

Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues
GAO-09-504, March 31, 2009
[Summary \(HTML\)](#) [Full Report \(PDF, 100 pages\)](#)

Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues
GAO-09-539T, March 31, 2009
[Summary \(HTML\)](#) [Full Report \(PDF, 16 pages\)](#)

March 30, 2009

Defense Acquisitions: Assessments of Selected Weapon Programs

[RSS & ATOM](#) Feeds Available

GAO's Oversight of the Recovery Act
[GAO.gov/recovery](http://gao.gov/recovery)

2009 Congressional and Presidential Transition
[GAO.gov/transition_2009](http://gao.gov/transition_2009)

Resources For

- The Congress
- The Media
- The Auditing and Accountability Community
- Federal Agencies

GAO Inspector General

[OIG Publications](#)

Key References

- Government Auditing Standards (Yellow Book)
- Principles of Federal Appropriations Law (Red Book)
- Internal Controls Standards (Green Book)
- Financial Audit Manual
- Financial Report of the U.S. Government and Citizen's Guide
- 21st Century Challenges



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Following the Money: GAO's Oversight of the Recovery Act

The American Recovery and Reinvestment Act, also known as the stimulus bill, is a \$787 billion plan intended to address the economic challenges facing our nation. The act tasks GAO with a range of responsibilities to help promote accountability and transparency and ensure that these funds are used as specified. Among other efforts, GAO will be

- conducting bimonthly reviews on how funds are used by selected states and localities;
- reviewing specific areas, such as trade, education, small business, and health care; and
- commenting on reports filed by fund recipients.

GAO's oversight work on the Recovery Act will be published on this Web site. Please check back regularly for updated information.

Bimonthly Reviews

GAO's bimonthly reviews will examine how Recovery Act funds are being spent and whether they are achieving the act's goals.

- The reviews will focus on 16 states and the District of Columbia, which contain about 65 percent of the U.S. population and are estimated to receive about two-thirds of the intergovernmental grants funds available through the Recovery Act.
- A sampling of how localities are using the funds will also be included.
- The first review will be completed in April 2009.



Geographic areas targeted for bimonthly reviews

Other GAO Mandates

Other mandated GAO responsibilities relate to specific areas, including education, health care, small business, trade, and assessments of state needs during economic downturns. In addition, GAO is charged with

- making 13 appointments to the Health Information Technology Policy Committee by April 3, 2009; and
- reporting, by April 20, 2009, on the Small Business Administration's (SBA) efforts to, among other things, increase liquidity in the secondary market for SBA loans.

Video Message: Gene Dodaro, Acting Comptroller General



"GAO welcomes the responsibility that Congress has placed on us to assist in the oversight, accountability, and transparency of the Recovery Act."

– Gene Dodaro, Acting Comptroller General of the United States

Contact Info

For any questions or comments regarding this Web site, please call GAO at (202) 512-3000 or e-mail contact@gao.gov

Following each presidential election, GAO serves as a resource to assist with the transition to a new Congress and administration. On this Web site, using its institutional knowledge and broad-based, nonpartisan work on matters across the government spectrum, GAO provides insight into, and recommendations for addressing, the nation's major issues, risks and challenges. Also located throughout the site are key reports for further research, as well as contact information for and video messages from GAO experts.

Urgent Issues

A number of pressing issues demand urgent attention and continuing oversight to ensure the nation's security and well-being.

Agency-by-Agency Issues

Each agency faces a range of distinctive major challenges affecting its mission, budget, and programs.

Management Challenges Across the Government

Agencies share a number of management challenges to improve operational efficiency and effectiveness and address current and emerging demands. These challenges must be addressed to effectively and efficiently implement new policy and program initiatives.

Major Cost-Saving Opportunities

A number of opportunities exist to limit costs and reduce waste across agencies and programs.

Upcoming Reports on Major Issues

Examples of upcoming GAO work on major national issues confronting the 111th Congress and the new administration.

Long-Term Fiscal Outlook

Given the federal government's long-term fiscal challenges, consideration should be given to an array of efforts to address the growing imbalance between expected spending and tax revenues.

Working with GAO

GAO supports 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.

Recent updates

- DOL > Assist Workers Who Have Lost Their Jobs: new section and reports added (1/30)
- DHS > Implementing and Transforming DHS: new content, second bullet item and one report added GAO-09-271 (1/30)

Video Message: Gene Dodaro, Acting Comptroller General

Urgent Issues

- Financial Institutions and Markets
- Iraq, Afghanistan, and Pakistan
- Protecting the Homeland
- Defense Spending
- Improving U.S. Image Abroad
- The 2010 Census
- Care for Service Members
- Preparing for Public Health Emergencies
- Food Safety
- Surface Transportation
- Retirement of the Space Shuttle

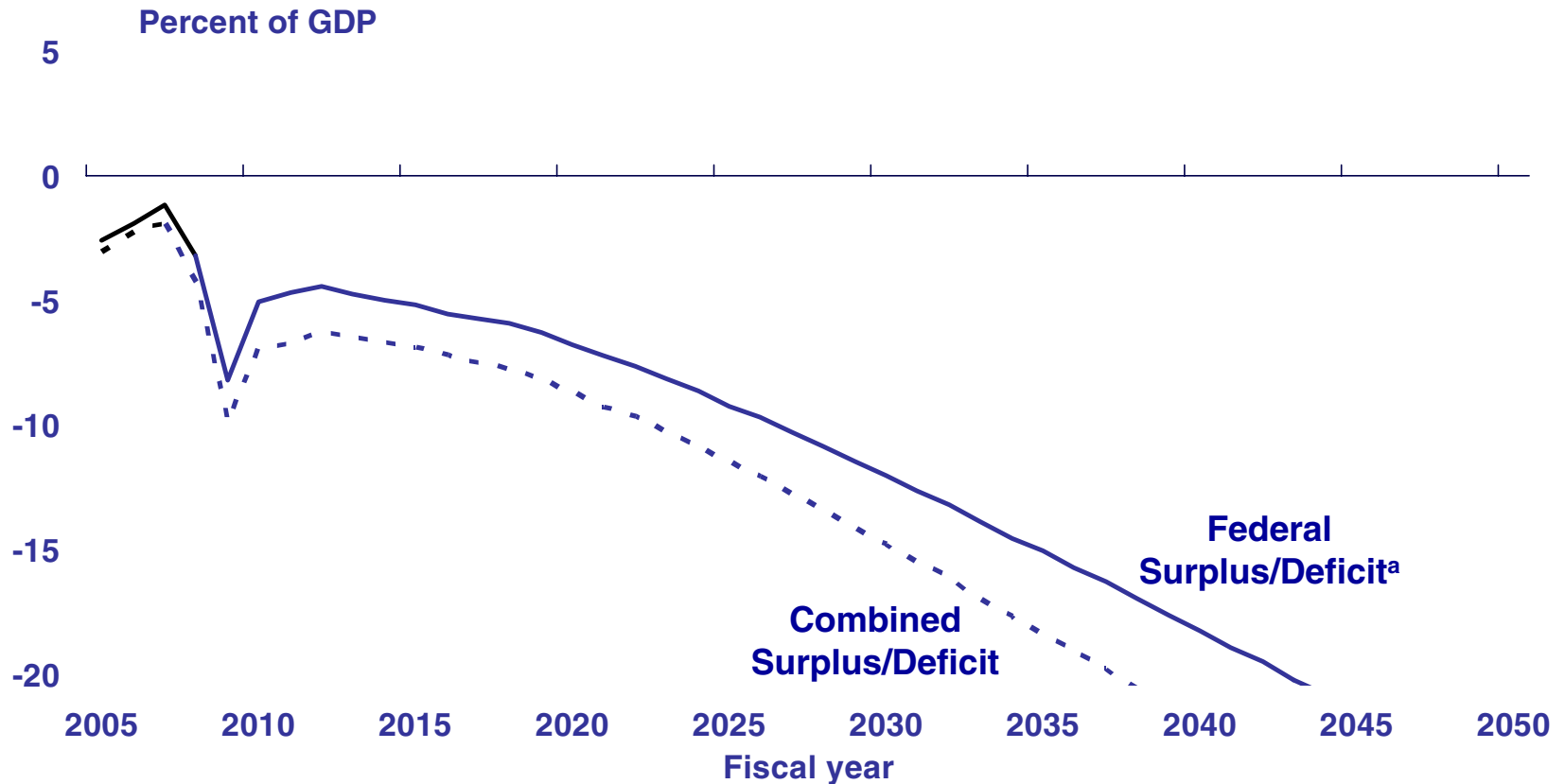
Other Urgent Issues: Timely Action Critical

- U.S. Efforts in Iraq, Afghanistan, and Pakistan
- Defense Readiness, Spending, and Care for Service Members
- Protecting the Homeland and Preparing for Public Health Emergencies
- Improving U.S. Image Abroad
- Food Safety
- Transition to Digital TV

Long-Term Challenges

- Today's focus—understandably—is on:
 - Dealing with financial system stress
 - Addressing the economic downturn
- BUT.... Underlying issues still need to be addressed:
 - Long-term fiscal challenge
 - Sustaining progress on federal financial management

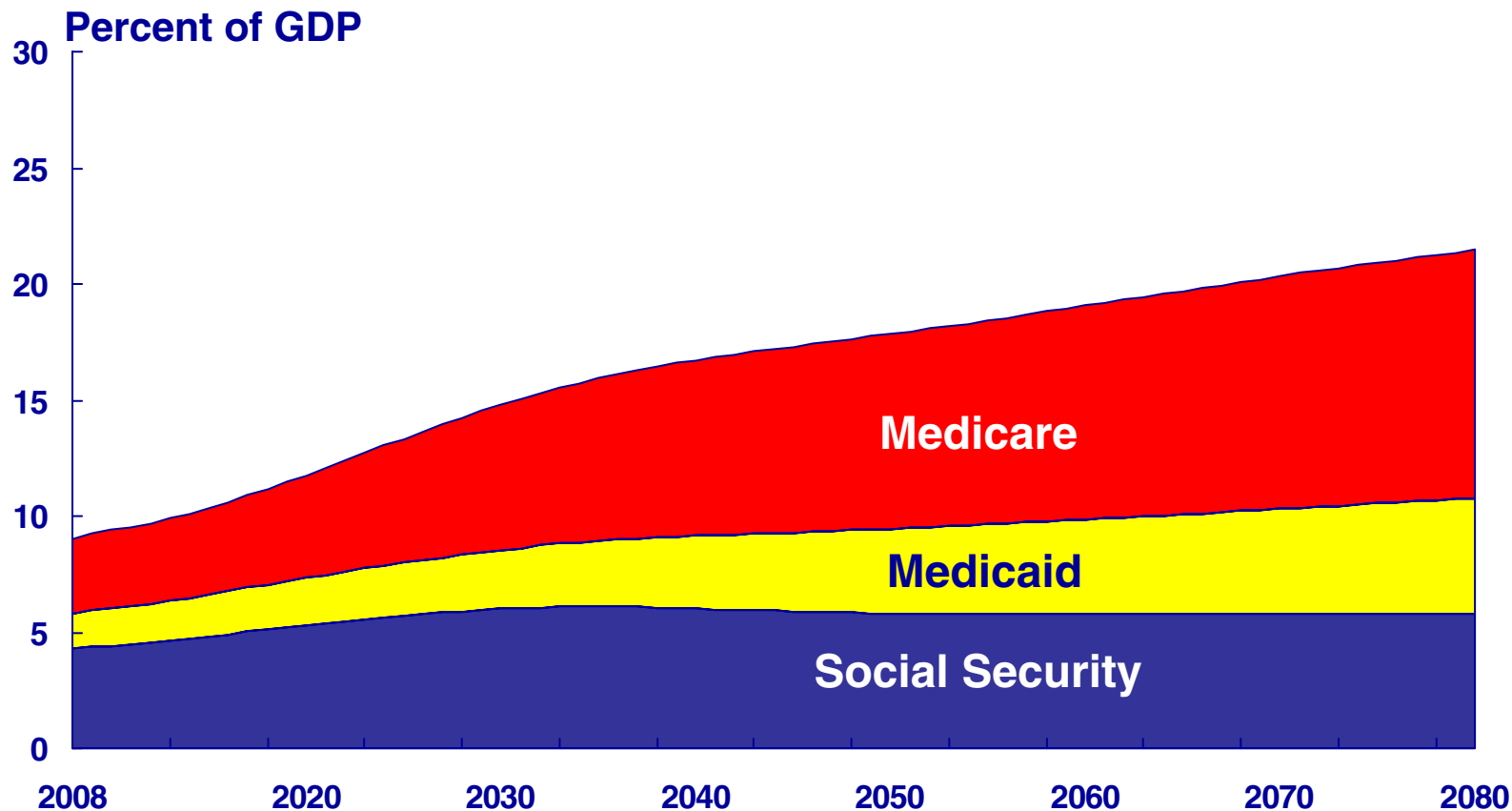
Long-Term Fiscal Challenge



Source: GAO January 2009 analysis.

^aFederal surplus/deficit is from GAO's Alternative Simulation using the Trustees' assumptions.

Long-Term Fiscal Challenge Driven by Health Care Spending



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

Note: Social Security and Medicare projections based on the intermediate assumptions of the 2008 Trustees' Reports. Medicaid projections based on CBO's January 2009 short-term Medicaid estimates and CBO's December 2007 long-term Medicaid projections adjusted to reflect excess cost growth consistent with the 2008 Trustees intermediate assumptions.

Federal Financial Management: Need to Continue Progress

- Significant improvements in federal financial management -- but still a long way to go
- Information for decision-making must be reliable

Federal Financial Management: Key Challenges

- Improve internal control—greater accountability and fewer improper payments
- Obtain clean opinion on U.S. government's consolidated financial statements
- Improve extent and reliability of cost information for evaluating federal program operations
- Implement more effective federal financial management systems
- Improve federal grant accountability
- Streamline and enhance relevance and effectiveness of federal accountability requirements and practices

2009 HIGH-RISK LIST

30 items grouped into four categories:

- **Broad-Based Transformation Challenges**
(e.g., DOD, DHS, surface transportation, food safety oversight)
- **Federal Contracting**
- **Tax Law Administration**
- **Insurance and Benefit Programs**
(e.g., Medicare, Medicaid, PBGC, flood insurance)

Latest High-Risk List Additions

- Modernizing the Outdated U.S. Financial Regulatory System
- Protecting Public Health through Enhanced Oversight of Medical Products
- Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals

On the Web

Web site: www.gao.gov/cghome.htm

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