



GAO'S WORK ON TODAY'S HIGH RISK ISSUES AND LONG -TERM CHALLENGES

**Before the Arizona Society of CPAs
Phoenix, Arizona
February 6, 2009**

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

Outline

- Financial Institutions and Markets
- GAO's 2009 High Risk Update
- Long-Term Challenges

Financial Institutions and Markets

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

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Financial Regulation: A Framework for Crafting and Assessing Proposals to Modernize the Outdated U.S. Financial Regulatory System (GAO-09-216, Jan. 8, 2009)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Regulatory System Outdated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

Financial Institutions and Markets

- Emergency Economic Stability Act of 2008 created TARP
- 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.

Improving Financial Literacy

- Given the complex nature of financial products, financial literacy is more important than ever
- Federal efforts to educate consumers are disjointed and not well coordinated
- AICPA initiatives important

GAO's High-Risk Program

- **Since 1990—updated biennially for each new Congress**
- **Initial focus on fraud, waste, abuse, and mismanagement**
- **Evolved to also identify needed broad-based transformations**

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

GAO's High-Risk Program: Making an Impact

- Promoted sustained congressional attention to key problems—oversight and legislative action
- Provided an impetus for the legislative framework for governmentwide management reforms
- Encouraged recent administrations to give greater priority to addressing related challenges

Transition: Assisting The New Administration & The New Congress



In the Spotlight
2009 High-Risk List Released (PDF)
Press Release on Financial Statement of the US Government (PDF)
GAO Lists Urgent Issues in New Transition Web Site (PDF)
New E-Mail Hotline for Reporting Small Business Fraud and Abuse
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

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

February 02, 2009

Federal Information System Controls Audit Manual (FISCAM)
GAO-09-232G, February 02, 2009
Summary (HTML) Full Report (PDF, 601 pages)

January 30, 2009

Military Base Realignments and Closures: DOD Faces Challenges in Implementing Recommendations on Time and Is Not Consistently Updating Savings Estimates
GAO-09-217, January 30, 2009
Summary (HTML) Full Report (PDF, 54 pages)

Information Security: Further Actions Needed to Address Risks to Bank Secrecy Act Data
GAO-09-195, January 30, 2009
Summary (HTML) Full Report (PDF, 38 pages)

Meal Counting and Claiming by Food Service Management Companies in the School Meal Programs

RSS & ATOM Feeds Available

2009 Congressional and Presidential Transition
Following each presidential election, GAO serves as a resource to assist with the transition to a new Congress and administration.
Go to Transition site

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)
Financial Audit Manual

Financial Report of the U.S. Government and Citizen's Guide
21st Century Challenges
High Risk Series
Key National Indicators
Our Nation's Fiscal Outlook
Strategic Plan 2007 - 2011

The Best Places to Work in the Federal Government 2007
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)

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

Urgent Issues: Timely Action Critical

EXAMPLES:

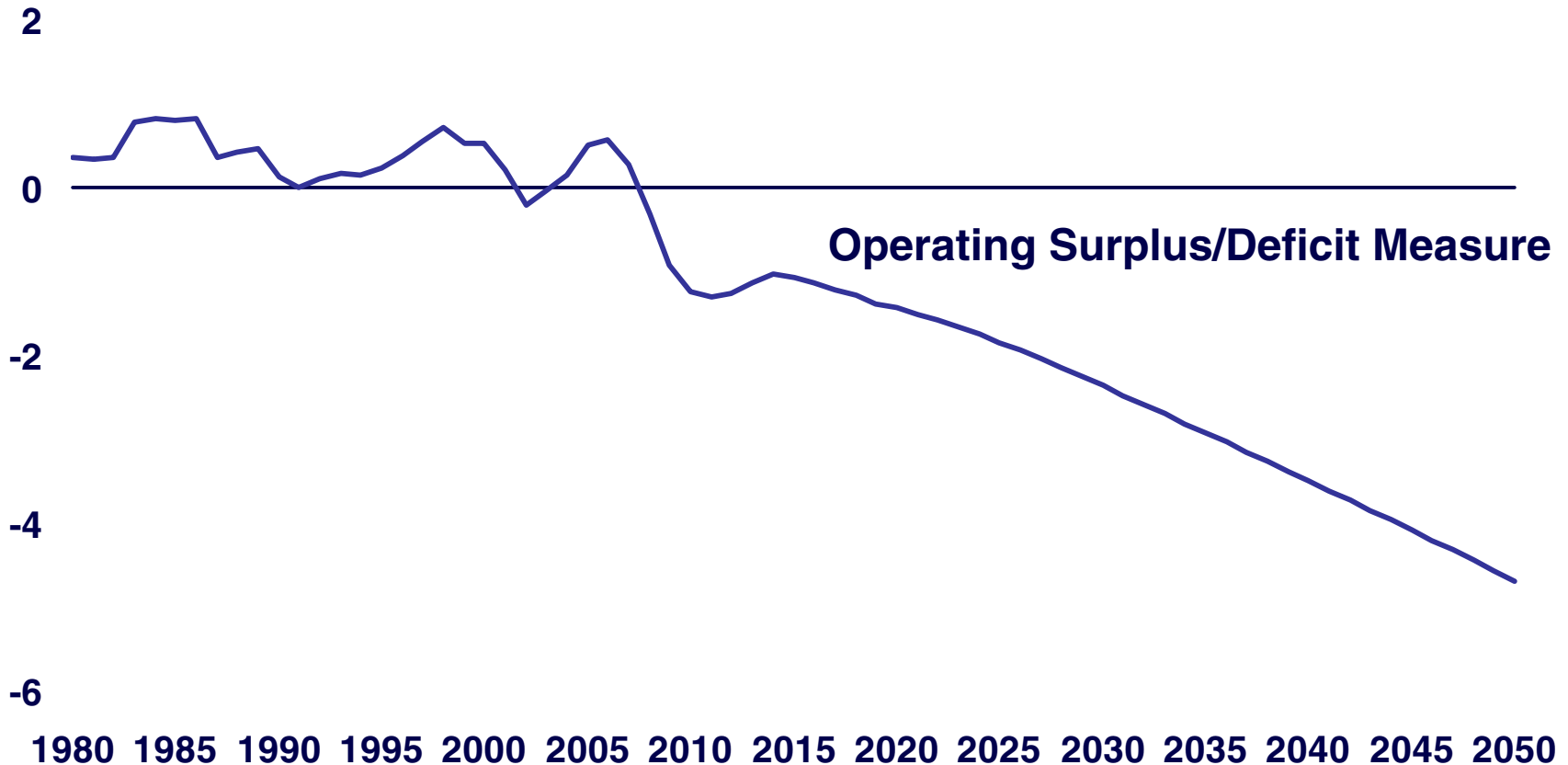
- U.S. Efforts in Iraq, Afghanistan, and Pakistan
- Defense Readiness, Spending, and Care for Service Members
- Protecting the Homeland and Preparing for Public Health Emergencies
- Improving U.S. Image Abroad
- Food Safety
- Transition to Digital TV

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

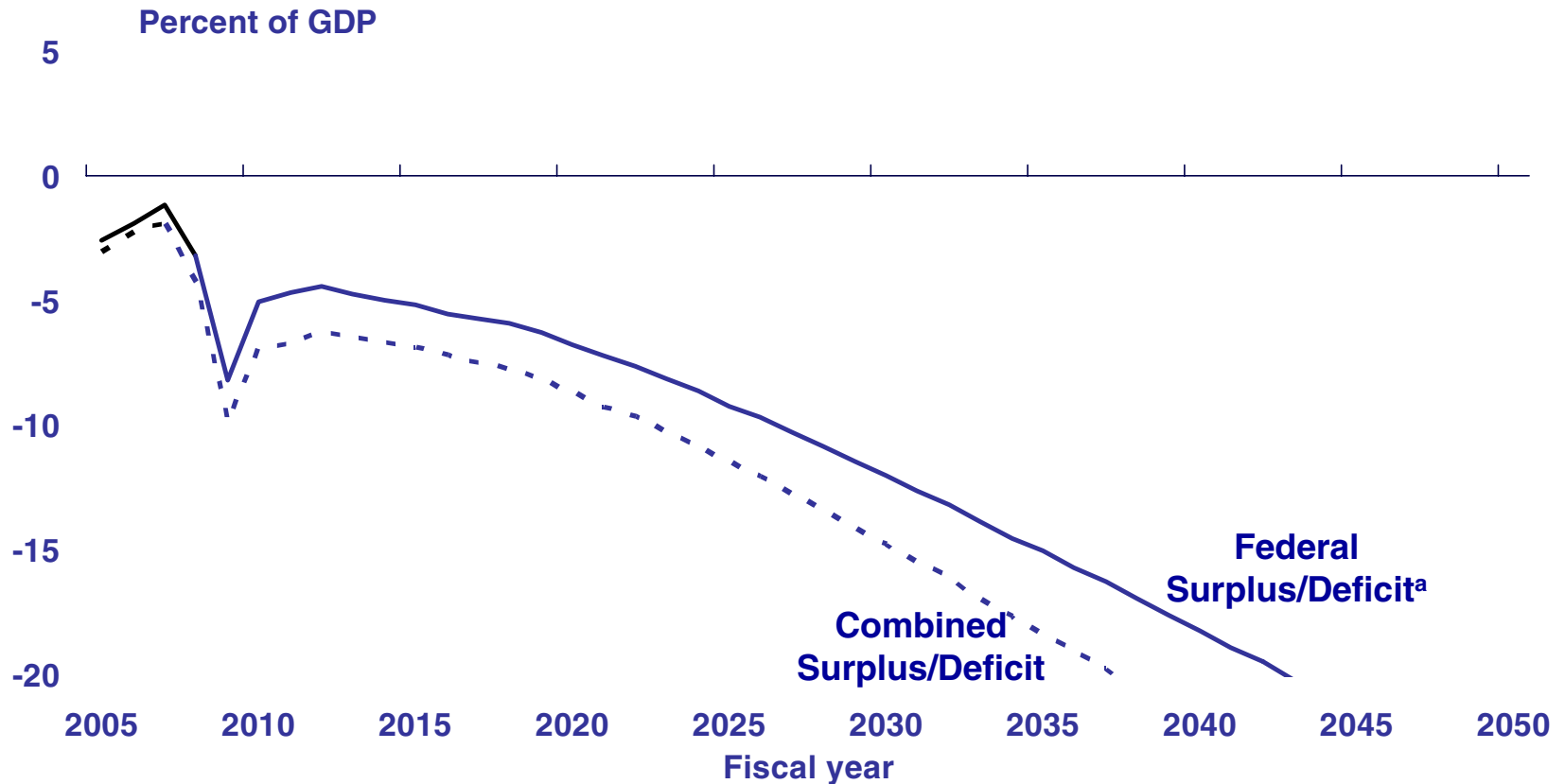
Fiscal Downturn: Outlook for State and Local Sector

Percent of GDP



Source: Historical data from National Income and Product Accounts. Historical data from 1980 – 2007, January, 2009 GAO projections from 2008 – 2050 using many CBO projections and assumptions, particularly for next 10 years.

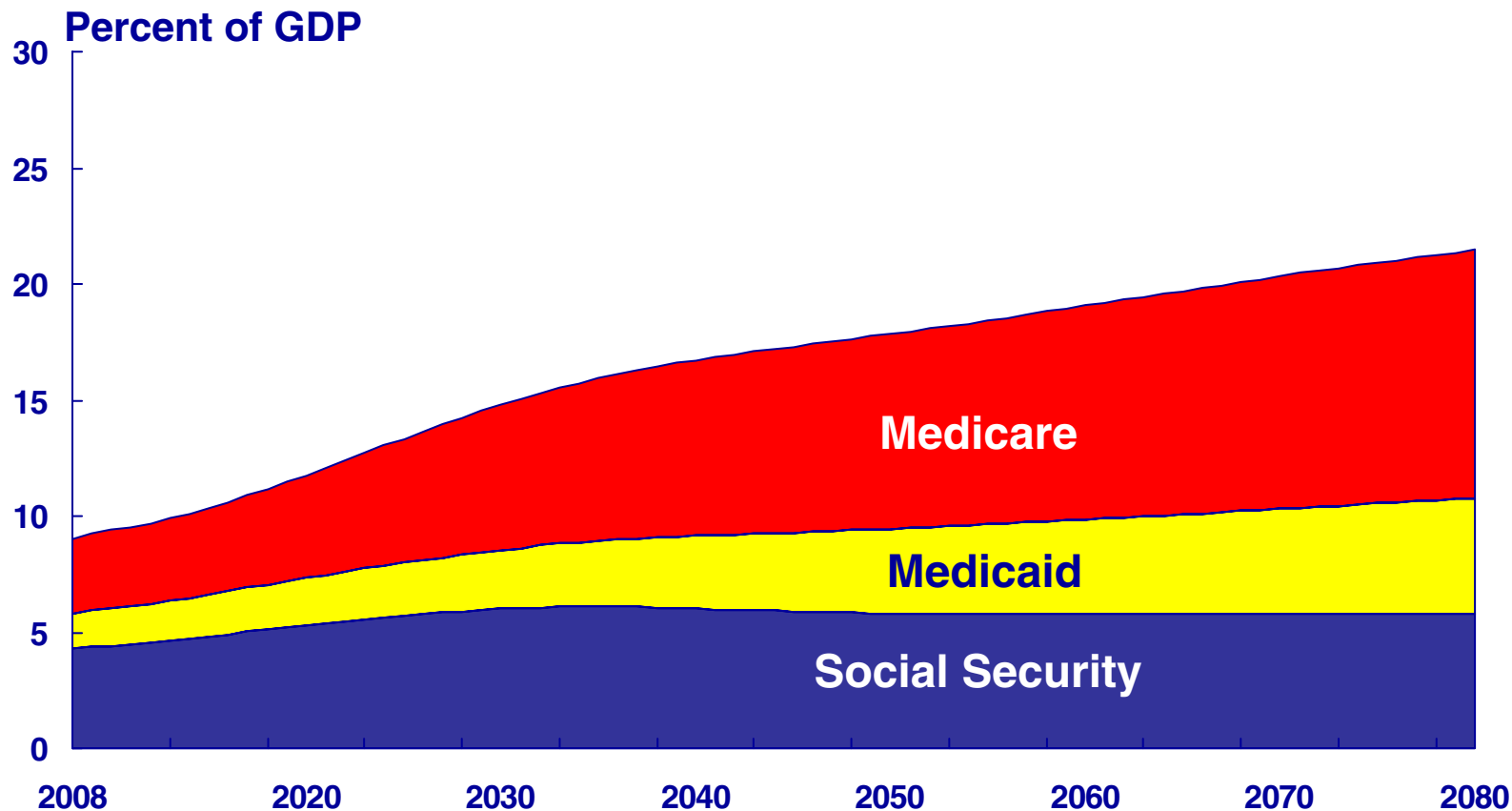
Long-Term Fiscal Challenge



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
- Important to ensure that information for decision-making is reliable

Federal Financial Management: Key Challenges

- Improve internal control—enhanced accountability and reduced 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

On the Web

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

Contact

Chuck Young, Managing Director, Public Affairs
YoungC1@gao.gov (202) 512-4800
U.S. Government Accountability Office
441 G Street NW, Room 7149
Washington, D.C. 20548

Copyright

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.