



CHALLENGES FACING THE NEW ADMINISTRATION AND THE 111TH CONGRESS

Before the JFMIP 2009
Federal Financial Management Conference
Washington, DC
March 12, 2009

By Gene L. Dodaro
Acting Comptroller General

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

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

[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 - 2012](#)

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 \(PDF\)](#)

Serving the Congress and the Nation

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



Video player controls: play, progress bar, CC

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

Financial Markets and Economic Recovery

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

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

- 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.

(GAO-09-216, Jan. 8, 2009)

Outdated Regulatory System

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

For 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

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

Federal Auditor Responsibilities

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

American Recovery & Reinvestment Act

Preparing for Our Responsibilities

- Selection of states and localities
- Outreach to IGs, state and local government auditors
 - recent meetings of IGs and GAO staff
 - teleconferences with State Auditors
 - teleconference with Local Auditors
- Ongoing coordination

Other Urgent Issues: Timely Action Is 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

Agency-by-Agency Issues

While working to accomplish its mission, each federal agency faces a number of distinctive major challenges, which are made all the more important by increased demand for improved government performance and responsiveness, as well as greater accountability.

Each agency's major challenges, as well as GAO recommendations and key reports for further research, can be found within the links below.

Department of Agriculture	Department of Commerce	Department of Defense
Department of Education	Department of Energy	Department of Health and Human Services
Department of Homeland Security	Department of Housing and Urban Development	Department of the Interior
Department of Justice	Department of Labor	Department of State
Department of Transportation	Department of the Treasury	Department of Veterans Affairs
Environmental Protection Agency	Export-Import Bank of the United States	Federal Communications Commission
General Services Administration	National Aeronautics and Space Administration	National Archives and Records Administration
Office of Management and Budget	Office of Personnel Management	Office of the U.S. Trade Representative
Pension Benefit Guaranty Corporation	Small Business Administration	Social Security Administration

U.S. Agency for International Development

2009 Congressional and Presidential Transition

HHS Overview

- Reforming and Refining Medicare Payments
- Improving Medicare Program Management
- Enhancing Medicare Program Integrity
- Enhancing Medicaid Oversight
- Overseeing Patient Care and Safety
- Ensuring Medical Product Safety
- Ensuring Food Supply Safety
- Strengthening Emergency Preparedness
- Improving the Well-Being of Children and Families

Department of Health and Human Services

The Department of Health and Human Services' (HHS) mission is to protect the health of Americans and provide essential human services, especially for vulnerable populations. To support its mission, HHS's 11 agencies manage more than 300 federal health and social programs, which accounted for almost a quarter of all federal outlays in 2008. Those agencies and programs including the following:

- The Centers for Medicare & Medicaid Services (CMS) administers the largest two programs — Medicare and Medicaid, which provide health insurance for one in four Americans.
- The Food and Drug Administration (FDA) is responsible for ensuring the safety and efficacy of pharmaceuticals, biological products, and medical devices marketed in the United States and for overseeing about 80 percent of the nation's food supply.
- The Centers for Disease Control and Prevention (CDC) works to strengthen the nation's preparedness for public health emergencies, such as an influenza pandemic and bioterrorism.
- The Administration for Children and Families (ACF) administers 60 programs for children, families, and communities, including Head Start and Temporary Assistance for Needy Families (TANF).

HHS's agencies face numerous management challenges, including the following.

- Growth in Medicare expenditures places pressure on CMS to develop payment reforms to control spending while promoting improved quality.
- CMS faces challenges to improve management of Medicare and Medicaid, while difficulties in ensuring the integrity of their payments undermine CMS's efforts to curb outlays in these high-risk programs.
- CMS has had challenges overseeing patient care and safety in nursing homes and hospitals.
- Due to weaknesses in agency capacity and data, FDA has had difficulties in overseeing the safety and efficacy of medical products, and limitations in strategic planning have hampered its food-safety efforts.
- HHS's efforts to strengthen preparedness for public health emergencies have been hampered by shortages in the public health workforce.
- HHS faces challenges to oversee programs that target the well-being and economic independence of children in families. In particular, given that these programs are generally administered by states and grantees, HHS is challenged to balance the quality of services, program participation, and the integrity of these programs—which is especially critical given the potential for rising numbers of applicants and the needs of vulnerable individuals in light of recent declining economic conditions and job losses.

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- Agency-by-Agency Issues
- Management Challenges Across the Government**
- Major Cost-Saving Opportunities
- Upcoming Reports on Major Issues
- Long-Term Fiscal Outlook
- Working with GAO

- Management Challenges Across the Government Overview**
- Collaboration**
- Acquisition Management**
- Real Property Management and Security**
- Human Capital Management**
- Crosscutting Issues in Information and Technology Management**
- Results Oriented Decision Making**
- Financial Management**

Management Challenges Across the Government

Although agencies have made progress in improving their operations in recent years, they often lack the basic management capabilities needed to address current and emerging demands. Accordingly, GAO has identified key governmentwide capacity building and management challenges. These challenges must be addressed to effectively and efficiently implement new policy and program initiatives.



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- Major Cost-saving Opportunities Overview**

Major Cost-Saving Opportunities

Working together, the new Congress and administration could make major strides in conserving fiscal resources for high-priority programs and new initiatives, help address fundamental long-term fiscal imbalances, and improve the government's image.

- Tax Gap
- National and Homeland Security
- Natural Resources
- Insurance & Benefits
- Financial Management

A c c o u n t a b i l i t y I n t e g r i t y R e l i a b i l i t y

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)

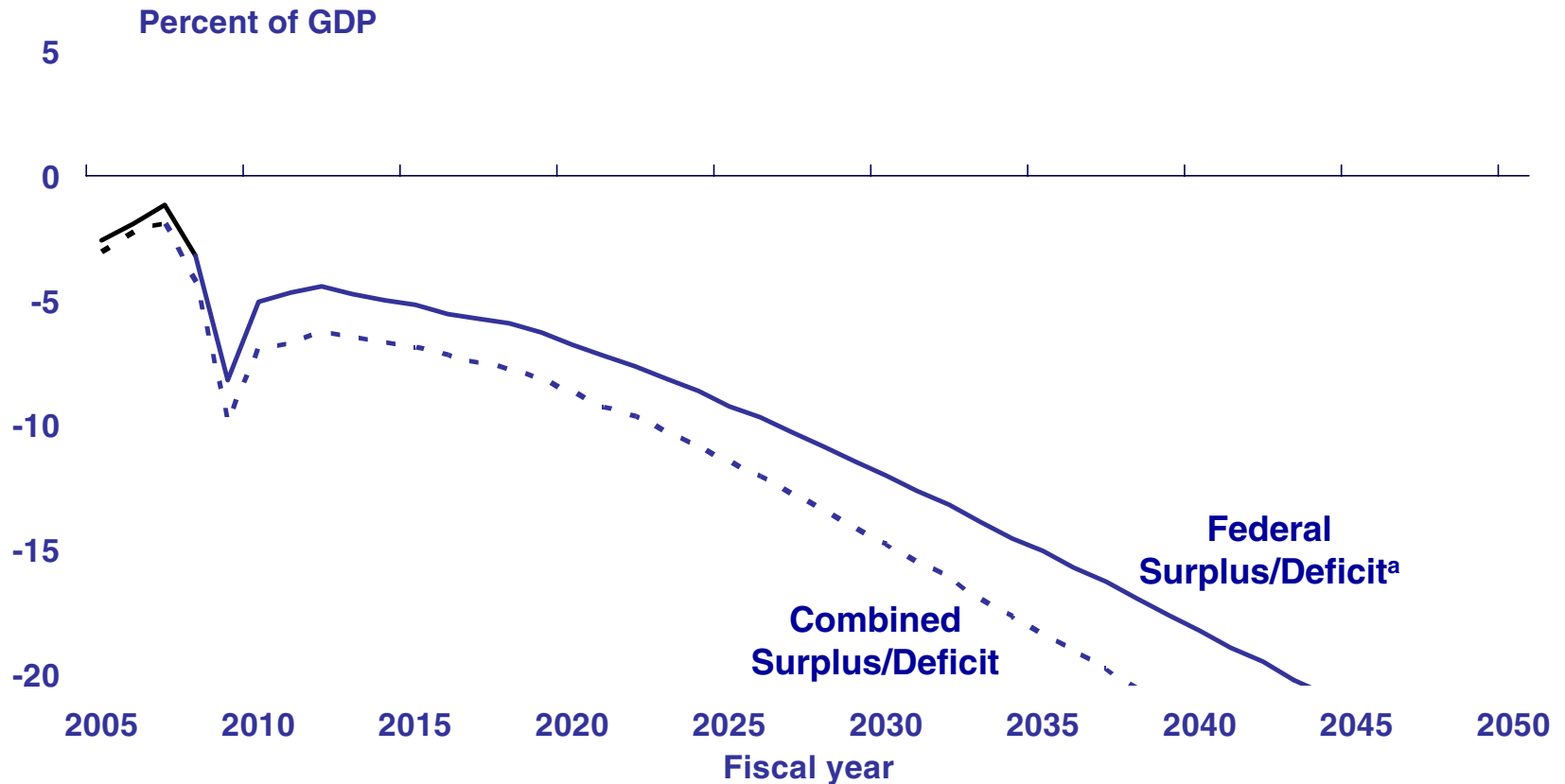
Latest High-Risk List Additions

- 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

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

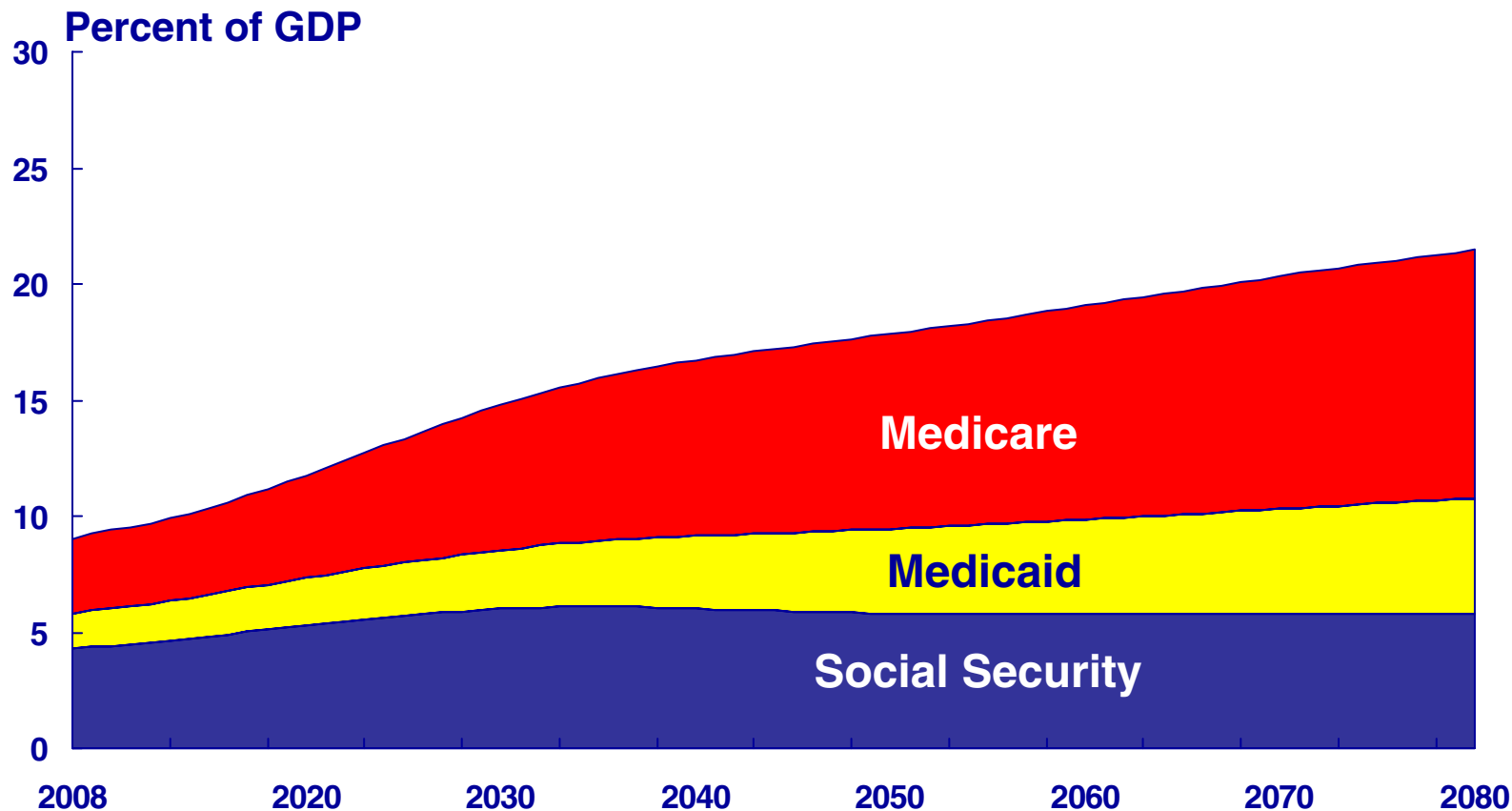
Long-Term Fiscal Challenge



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
- 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 contract and grant accountability
- Streamline and enhance relevance and effectiveness of federal accountability requirements and practices
- Maintain credibility and accountability as the federal government takes on significant new responsibilities

On the Web

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

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