



GAO: PROMOTING ACCOUNTABILITY AND TRANSPARENCY IN GOVERNMENT

**Before the Women's Philanthropy Board
7th Annual Spring Symposium
Auburn University
Auburn, Alabama
April 6, 2009**

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Acting Comptroller General**

Outline

- About GAO
- Financial Markets and Economic Recovery
- Transition– New President and Congress
- Long-Term Fiscal Outlook and Challenges to be Met



About GAO

GAO's mission is to support Congress and improve government

- An independent, nonpartisan agency in the legislative branch of the federal government.
- 3,200 employees, i.e., economists, accountants, public policy analysts, attorneys and computer experts.
- Issues hundreds of reports, congressional testimonies, and other products each year on breadth of federal responsibilities.



About GAO

GAO's Strategic Plan ensures that Congress and the federal government receive timely, quality service. The plan seeks to:

- Highlight current and emerging challenges to the well-being and financial security of the American people
- Respond to changing security threats and the challenges of global interdependence
- Help transform the federal government's role and how it does business to meet 21st century challenges
- Maximize the value of GAO by being a model federal agency and world-class professional services organization



Our Core Values

Accountability

Help the Congress oversee federal programs, policies, and operations to ensure accountability to the American people

Integrity

Ensure that our work is professional, objective, fact-based, nonpartisan, nonideological, balanced and fair

Reliability

Provide high-quality, timely, accurate, useful, clear, and candid information

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Financial Regulation: A Framework for Crafting and Assessing Proposals to Modernize the Outdated U.S. Financial Regulatory System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Outdated Regulatory System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 \$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

Global Financial Crisis Task Force

- Created by International Governing Board in November 2008
- Purpose:
 - enhance the knowledge base of NAOs on financial and economic matters related to the crisis
 - be a source of information to help governments and the global community respond to the crisis
- Membership: U.S.A. is lead, other countries include:

Austria	Estonia	Mexico	Spain
Cyprus	Hungary	Morocco	Sweden
Canada	Indonesia	Netherlands	United Kingdom
Chile	Italy	Poland	Venezuela
China	Japan	Russia	
Denmark	Korea	Slovakia	

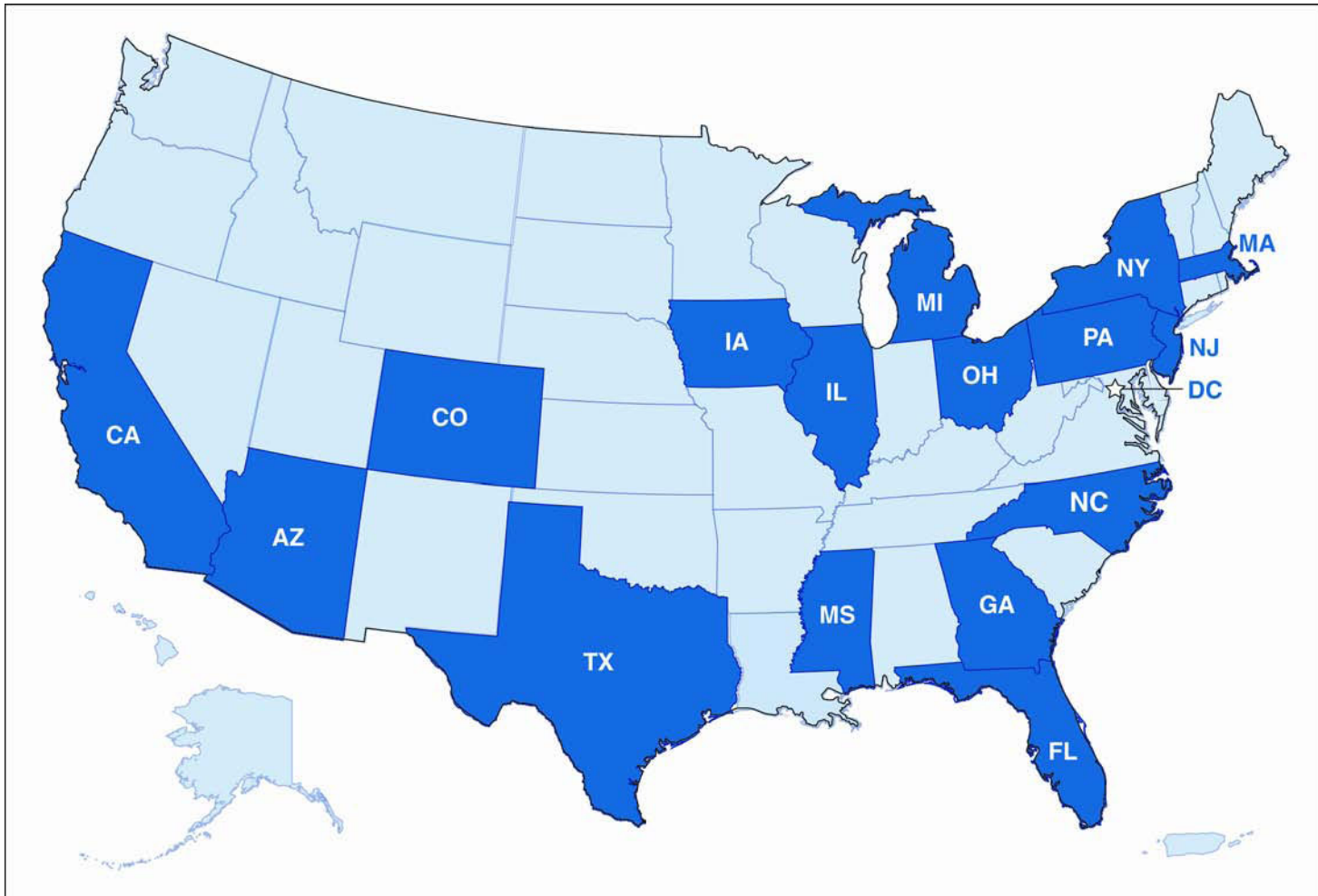
American Recovery & Reinvestment Act

- Signed February 17, 2009
- Purposes:
 - 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: Oversight

- 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.

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

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

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 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

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

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

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

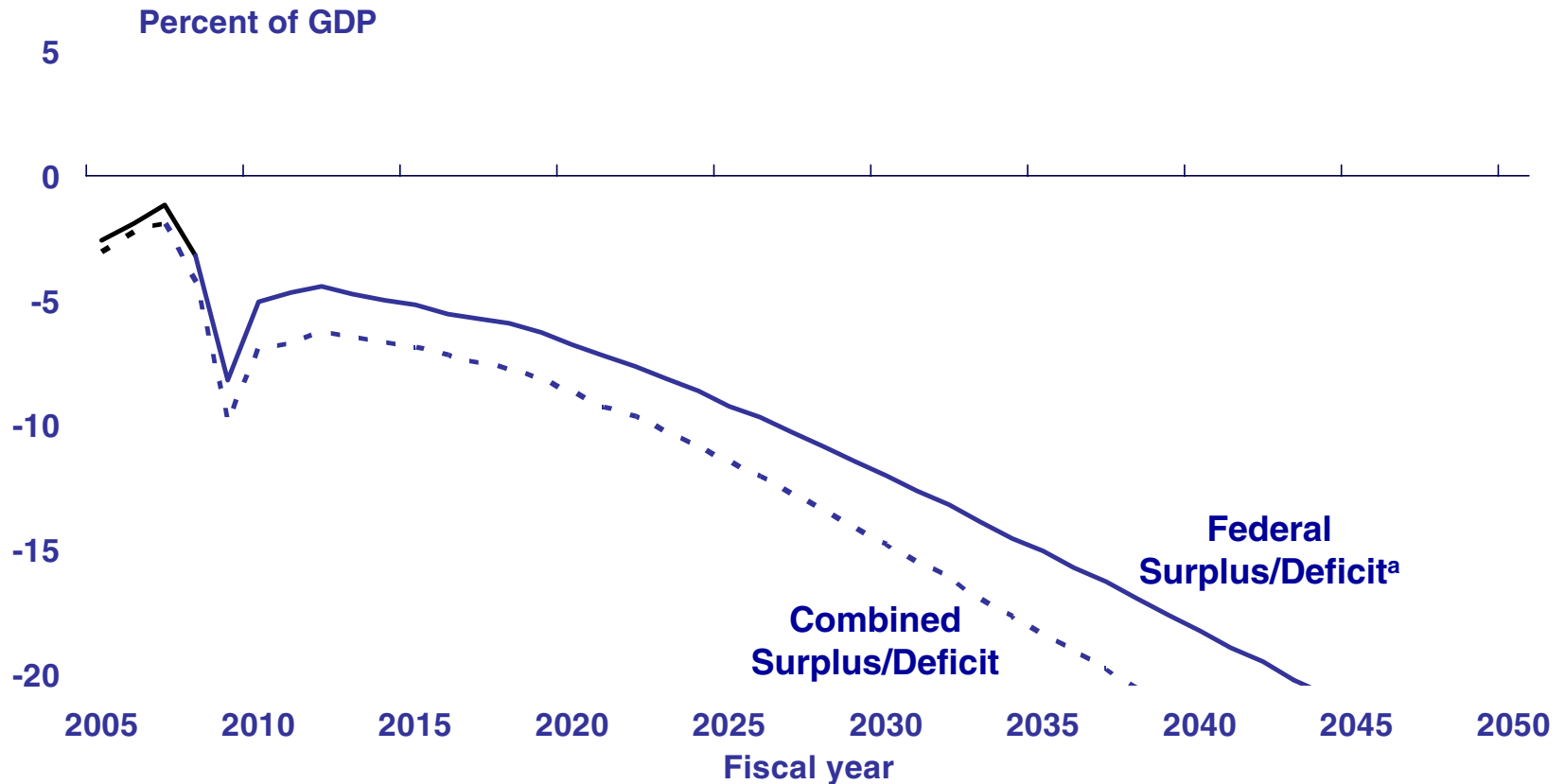
Other Urgent Issues: Timely Action Critical

- 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 long-term fiscal challenge still needs to be addressed

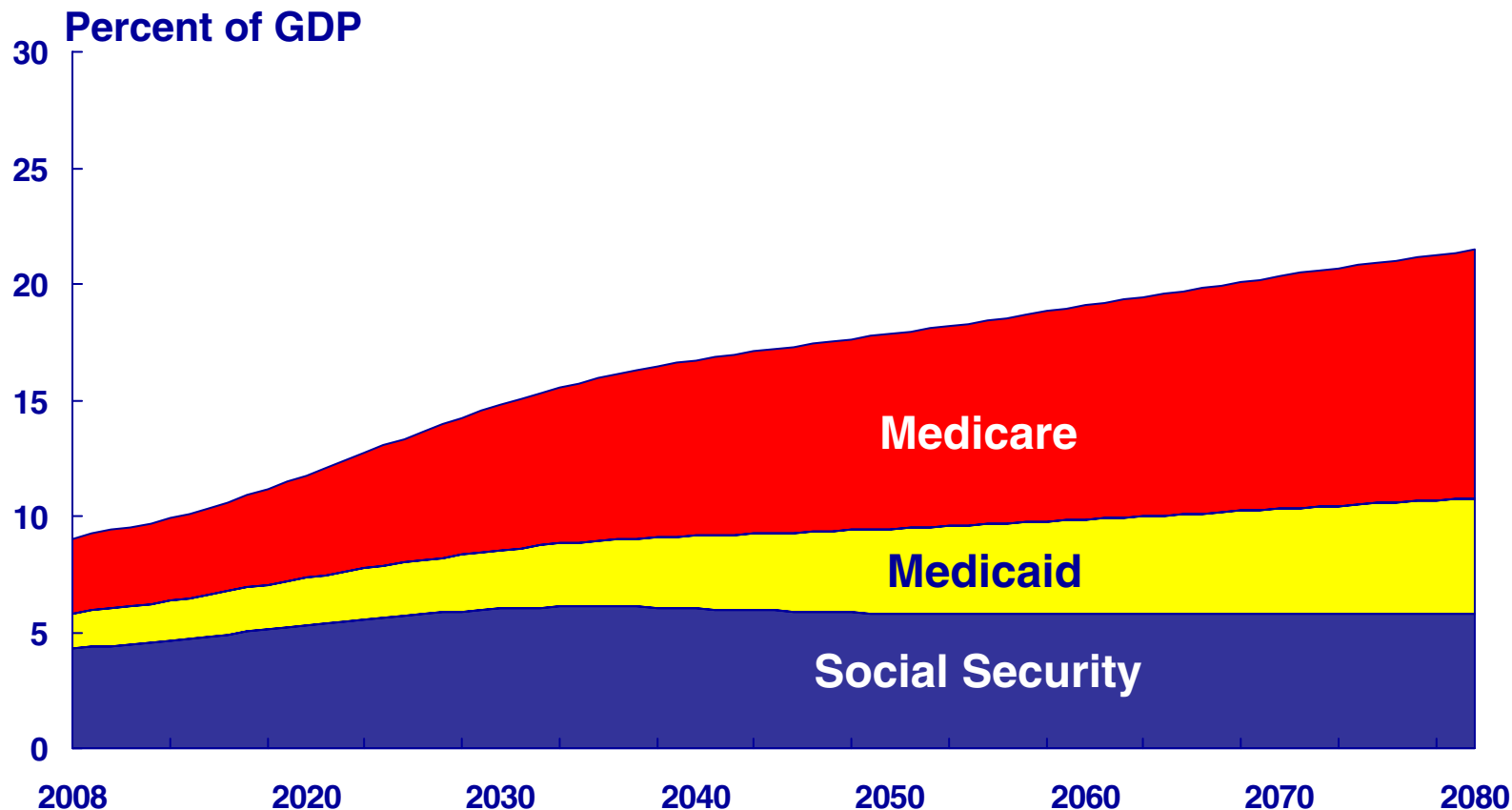
Long-Term Fiscal Challenge



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

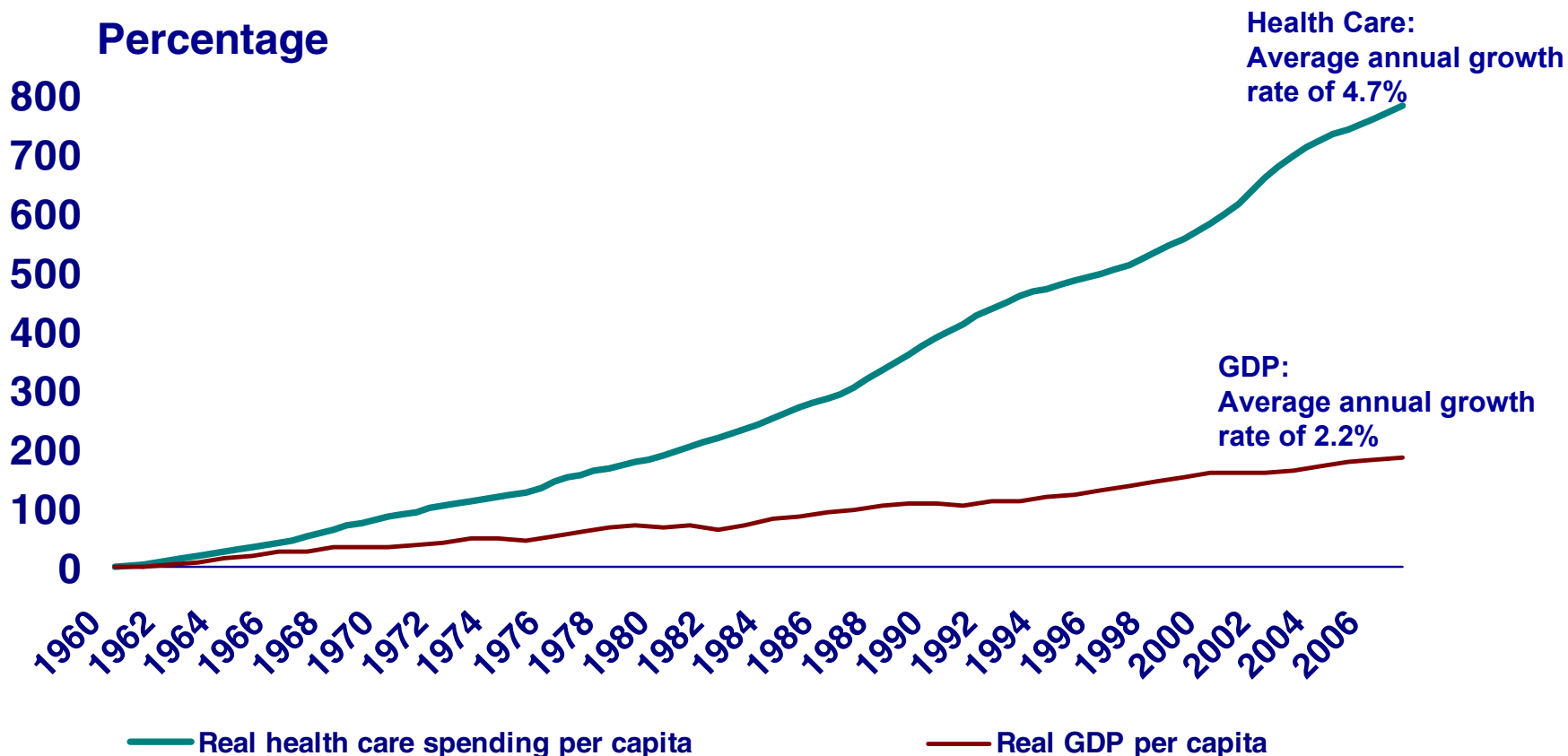


Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

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.

Growth in Health Care Spending:

Cumulative Growth in Real Health Care Spending Per Capita and Real GDP Per Capita, 1960-2007



Source: GAO analysis of data from the Centers for Medicare & Medicaid Services, Office of the Actuary, and the Bureau of Economic Analysis.

Note: The most current data available on health care spending per capita are for 2007.

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.

GAO Contact

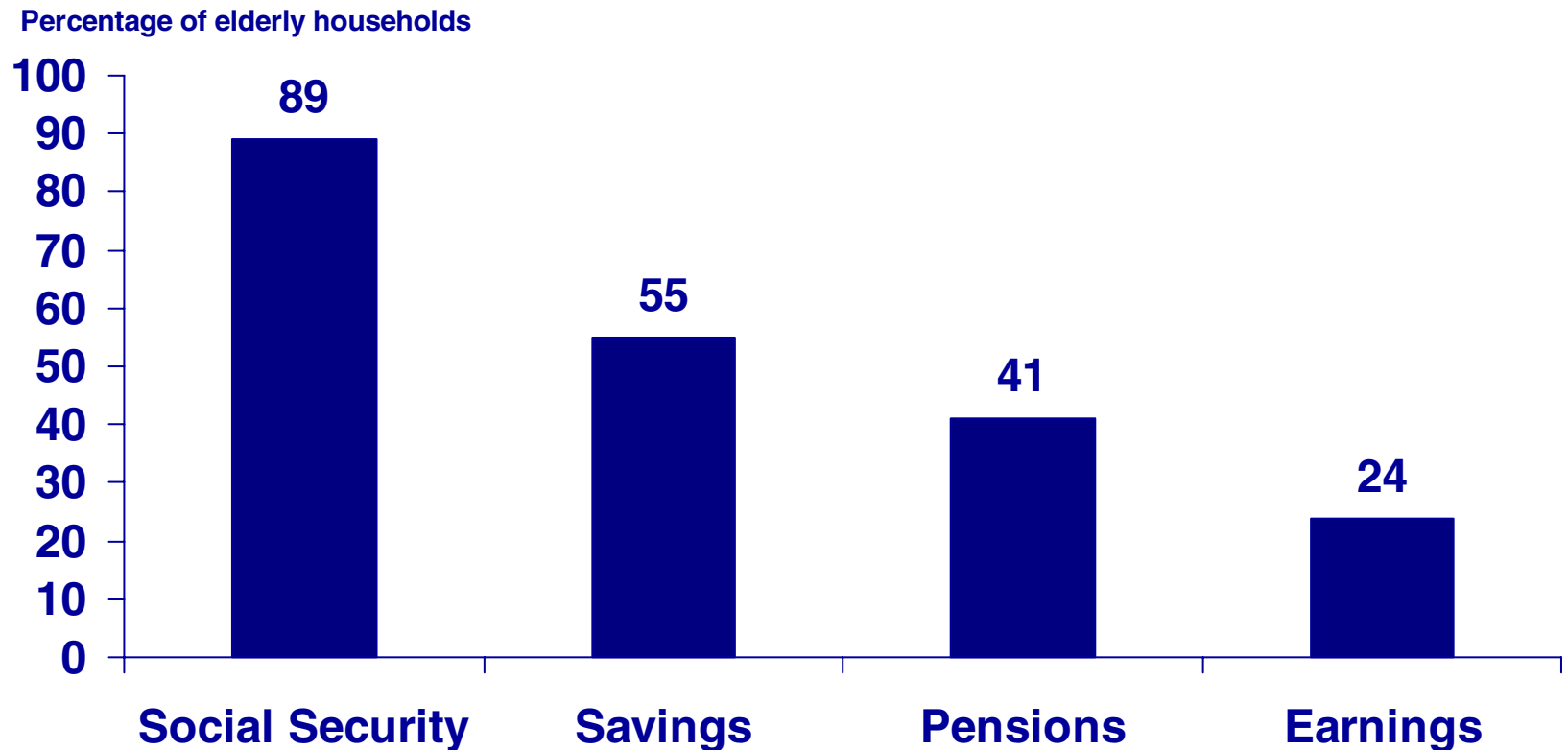


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Social Security

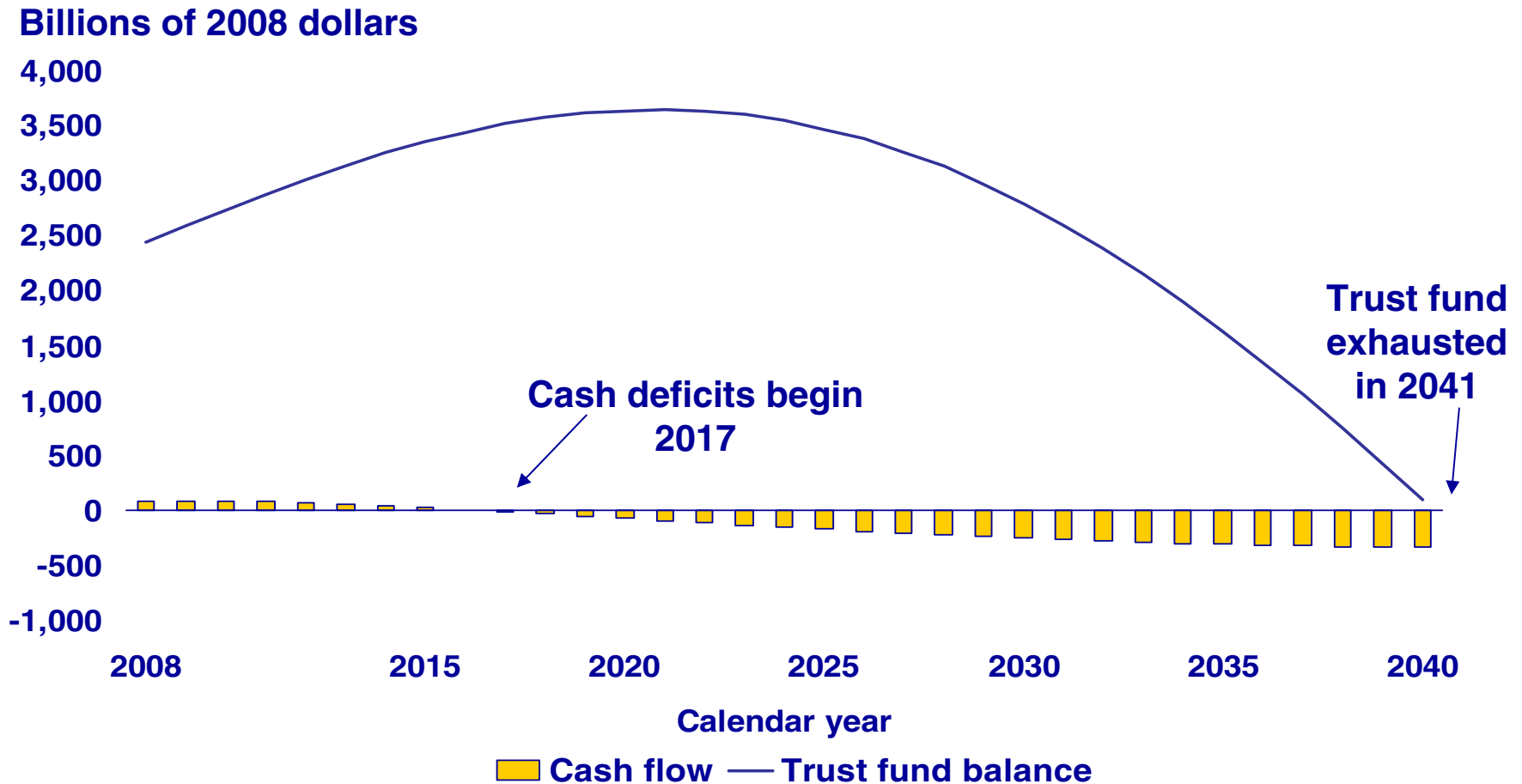
- Important program in need of change:
 - Provides retirement benefits to millions of individuals and families.
 - Provides benefits to survivors, other dependents, and disabled workers.
 - Faces significant and growing long-term financing shortfall.

Percentage of Elderly Households Receiving Each Type of Income



Source: Income of the Population 55 or Older, 2004 (Washington, D.C.: SSA, Office of Research and Statistics, 2006).

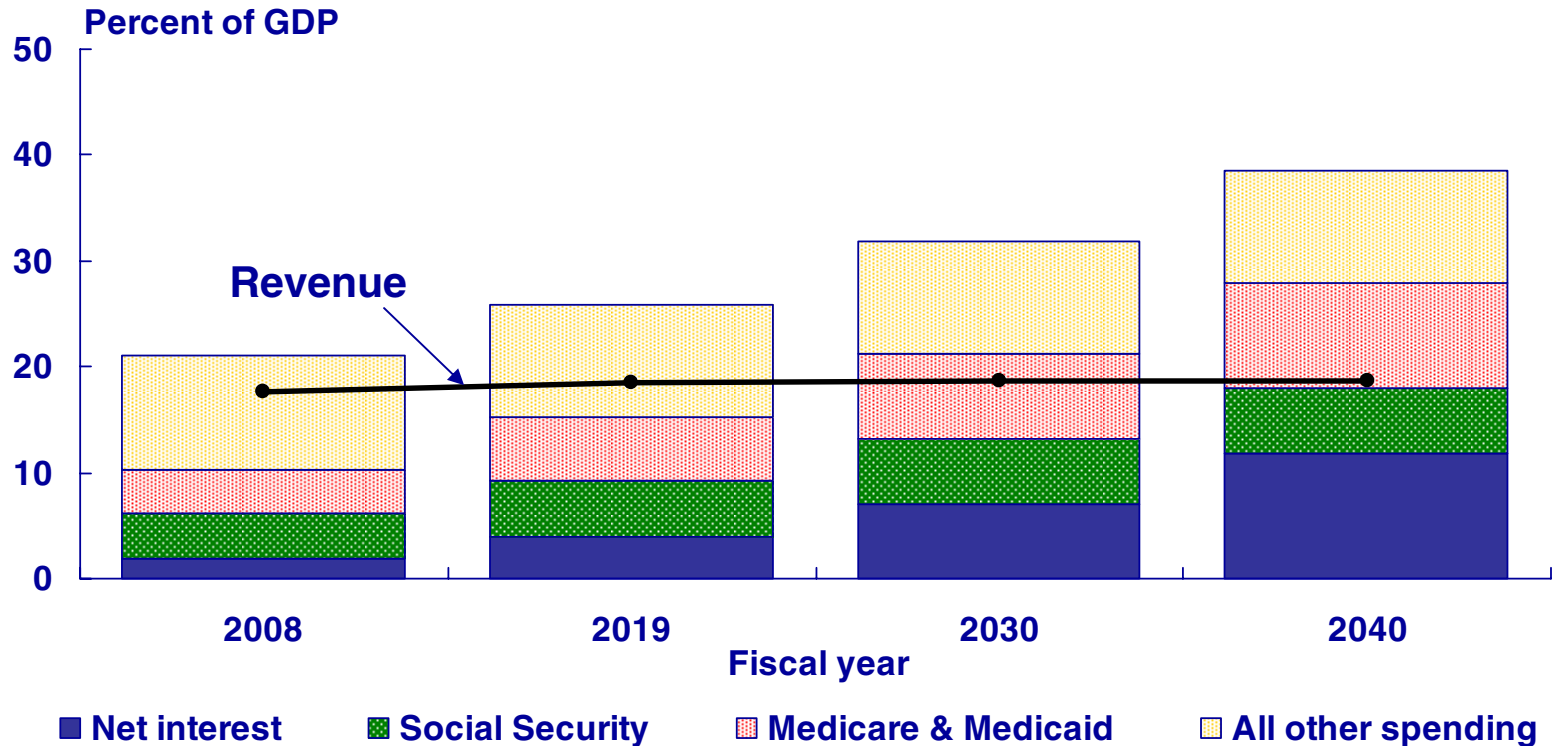
Cash Flow and Trust Fund Balances in the Combined Social Security Trust Fund



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration.

Note: Projections based on the intermediate assumptions of the 2008 Trustees' Report. The CPI is used to adjust from current to constant dollars.

Addressing long-term fiscal imbalance will require changes in federal spending and tax policies



Source: GAO's March 2009 analysis based on the Trustees' assumptions for Social Security and Medicare.

Notes: Discretionary spending other than stimulus provisions grows with GDP after 2009; stimulus provisions are assumed to be temporary. Expiring tax provisions are extended, except for expiring provisions enacted in the Recovery Act. After 2019, revenue as a share of GDP is brought to its 40-year historical average of 18.3 percent of GDP plus expected revenues from deferred taxes, (i.e. taxes on withdrawals from retirement accounts). Medicare spending is adjusted based on the assumption that physician payments are not reduced as specified under current law.

Tax Issues

- Narrowing the tax gap
- Reviewing tax expenditures
- Weighing tax reform

On the Web

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

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