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# **Financial Managers: Aiding Accountability and Exercising Stewardship in Challenging Times**

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**AGA-DC & GWSCPA  
Spring Educational Conference  
Washington, DC  
May 16, 2012**

**Gene L. Dodaro  
Comptroller General of the United States  
US GAO**

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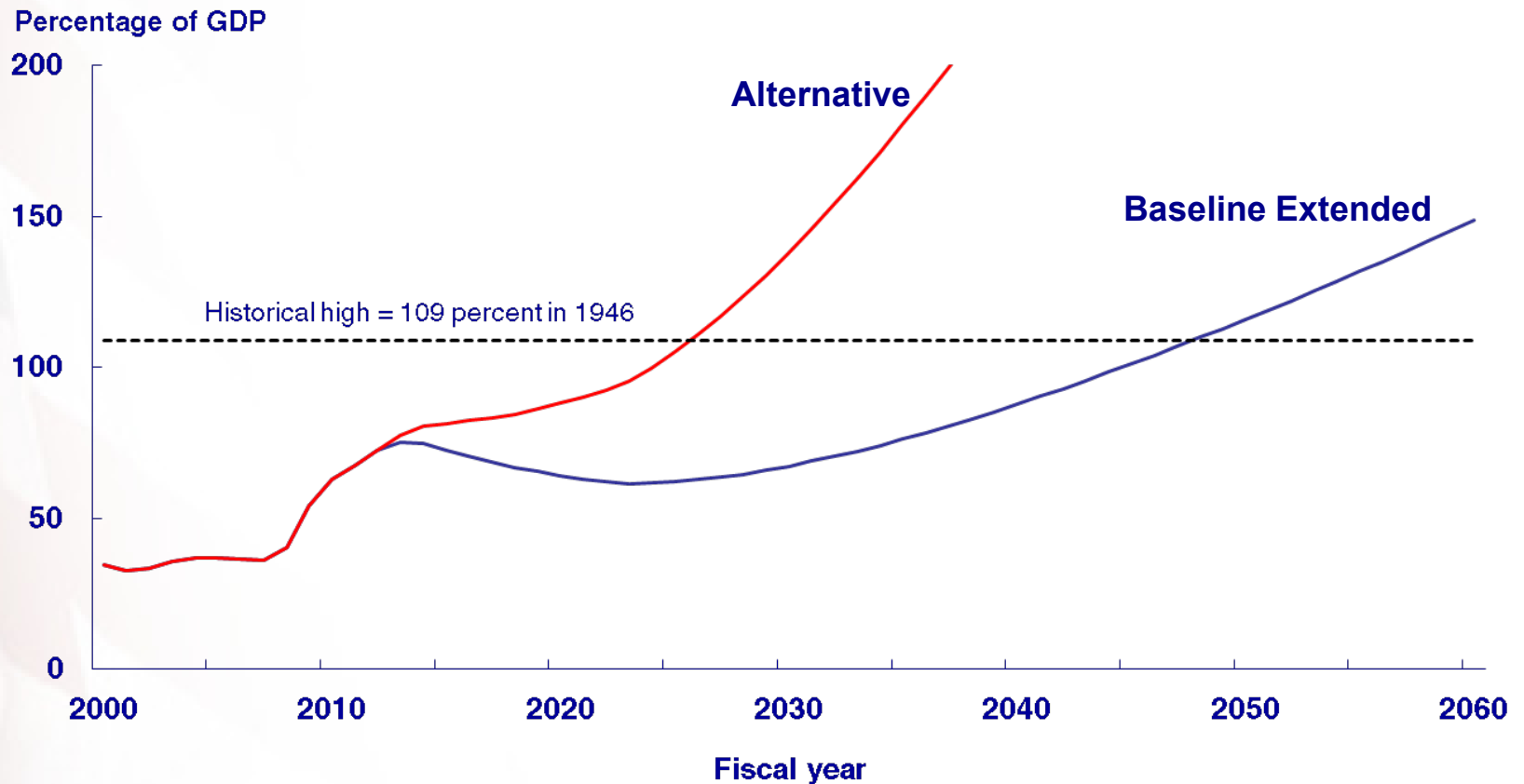
# Overview

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- Context for Everything: The Fiscal Sustainability Challenge
    - Prolonged squeeze on budgets
  - Accountability for taxpayer resources
    - Financial Management Challenges
    - Improper payments
    - GAO's High Risk list
  - Value for money
    - Evaluation, priorities, results
  - Federal Financial Managers Need to Step Forward
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# Fiscal Sustainability

# Debt Held by the Public: Spring 2012 Simulations

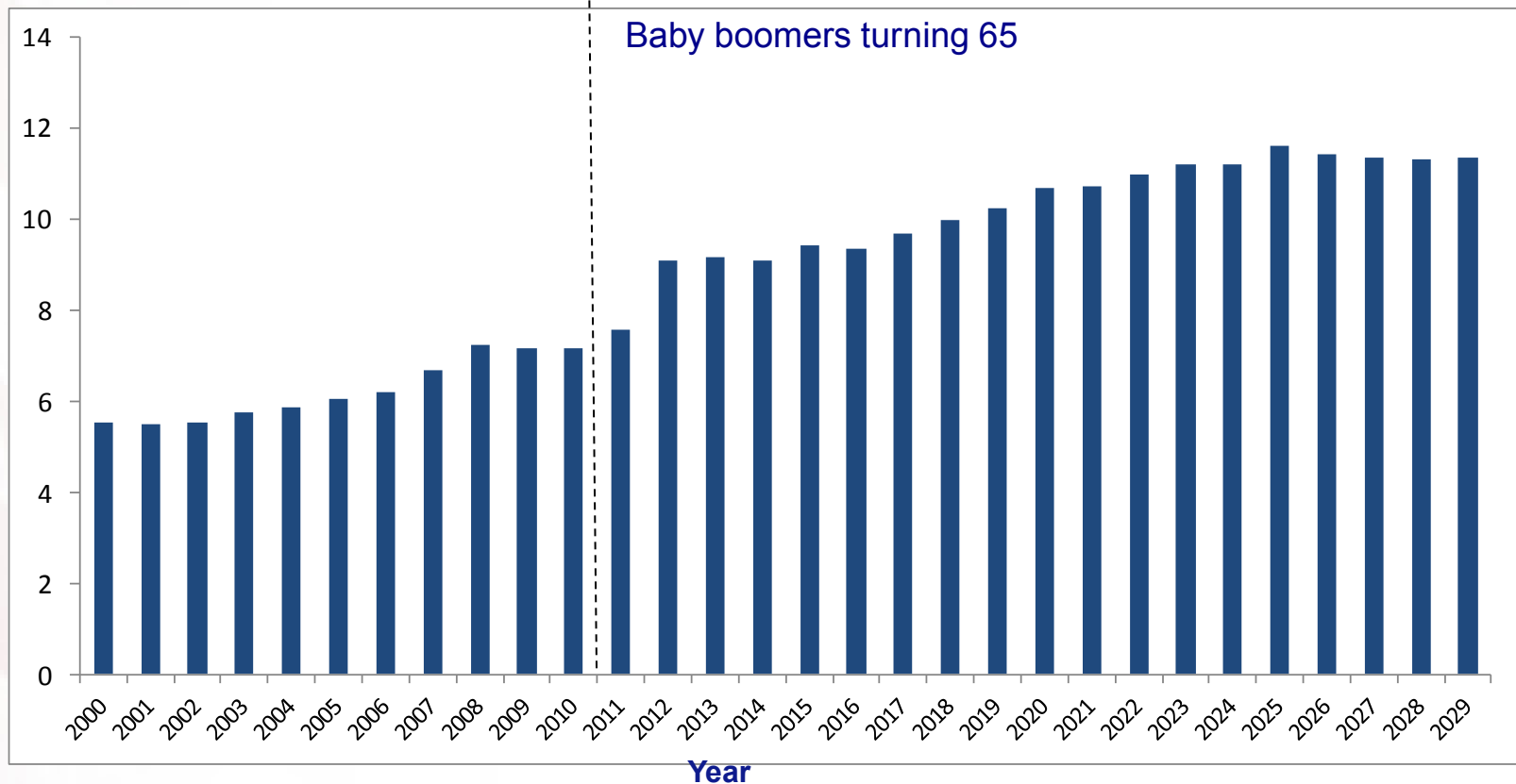


Source: GAO.

Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

# Daily Average Number of People Turning 65

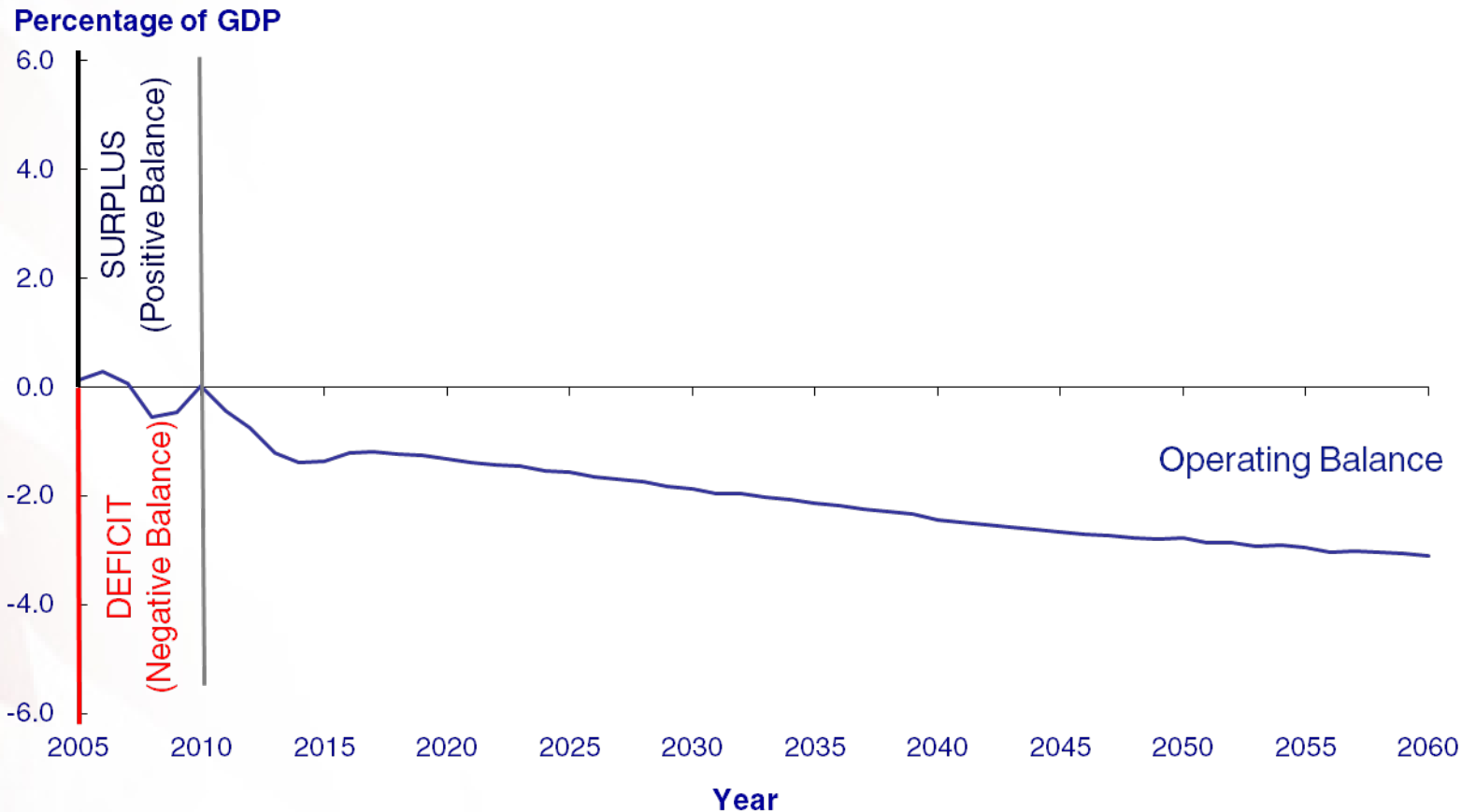
Thousands



Source: GAO analysis of U.S. Census Bureau data.

Note: Data are from the U.S. Census Bureau's National Population Projections. For this analysis, we used data from the low net international migration series.

# State and Local Operating Balance Measure, as a Percentage of Gross Domestic Product

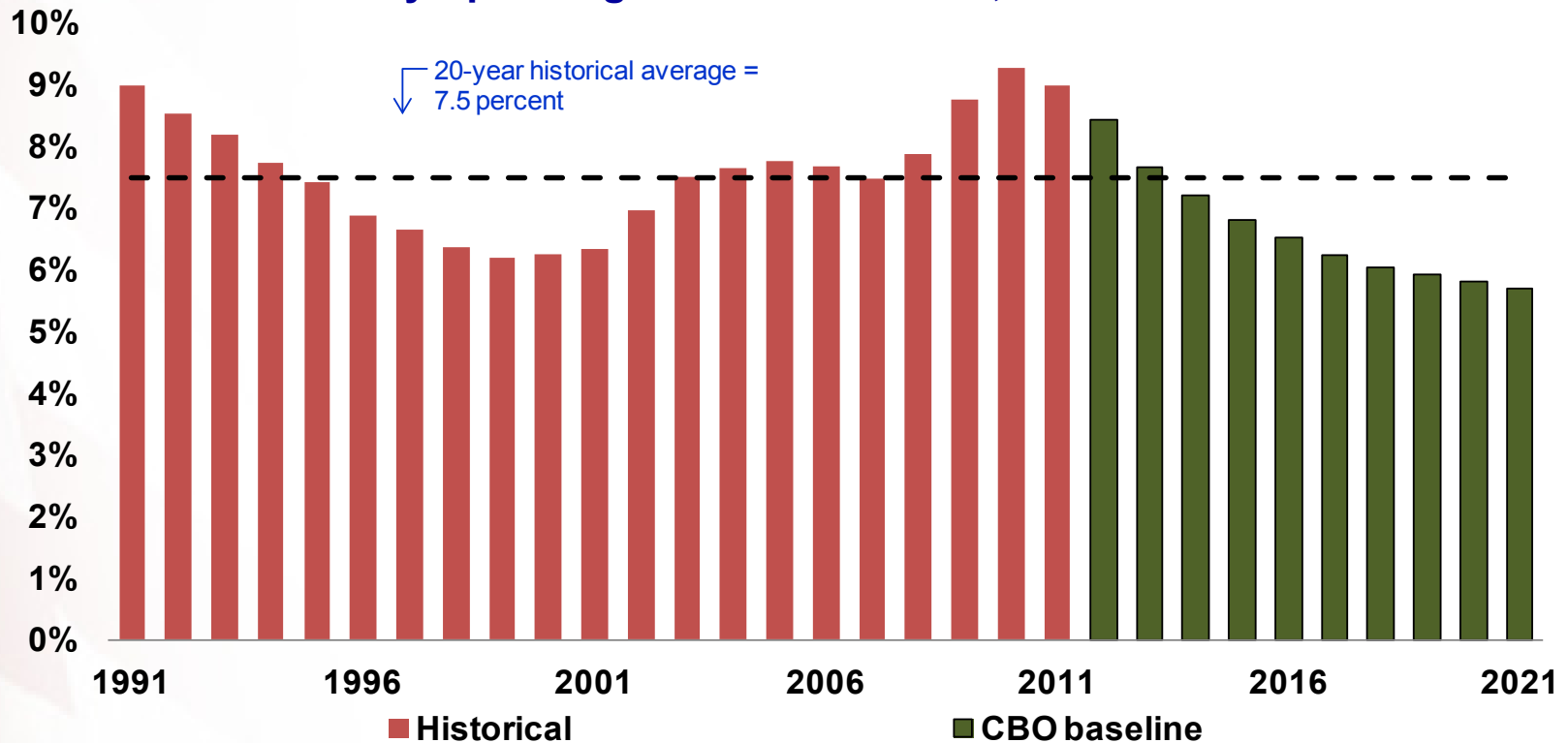


Source: GAO simulations, updated April 2012.

Note: Historical data are from the Bureau of Economic Analysis's National Income and Product Accounts from 2005 to 2010. Data in 2011 are GAO estimates aligned with published data where available. GAO simulations are from 2012 to 2060, using many Congressional Budget Office projections and assumptions, particularly for the next 10 years.

# The Budget Control Act: Focus on Discretionary Spending

Discretionary Spending as a Share of GDP, 1991-2021



Source: GAO analysis of data from the Congressional Budget Office.

Discretionary spending includes much of what many think of as “government” such as spending on national defense, homeland security, veterans health benefits, national parks, highways and mass transit, and foreign aid.

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# Accountability for Taxpayer Dollars

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- Consolidated Financial Statement (CFS):
  - Results, Progress
  - Moving toward an auditable statement
- Improper Payments
  - Moving toward effective prevention
- High Risk List: addressing root causes and demonstrating progress



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## CFS FY 2010, 2011: Key Issues Driving the Disclaimer

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- 3 major impediments consistent over time—areas on which to focus moving forward:
  - DOD: unauditable financial statements caused by serious financial management problems
  - Intragovernmental activity & balances
  - Ineffective preparation process
- Statement of Social Insurance (SOSI): significant uncertainties related to achievement of projected reductions in Medicare cost growth reflected in the statements.

# CFS: Significant Progress and Moving Forward

## Progress to FY 2011

- Unqualified audit opinions for 21 CFO Act agencies
- DHS moved to qualified opinion on Balance Sheet and Statement of Custodial Activity
- DoD ongoing initiatives to achieve auditability

## Continued progress requires:

- Sustained commitment at agency level critical
- Sustained commitment by Treasury & OMB to resolve the intragovernmental and consolidated financial statement preparation issues

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## Why Reliable Financial Information Matters

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- Elected officials confidence that agencies are executing laws & policy decisions made
- Taxpayer confidence that the federal government is good custodian of taxpayer contributions
- Can help inform future decisions on resource allocation and program management

## Improper Payments: Eroding Taxpayer Confidence

- An improper payment is any payment that should not have been made or was made in an incorrect amount (including overpayments and underpayments). Improper payments also include payments for which insufficient or no supporting documentation was found.
- OMB and the federal agencies reported improper payment estimates totaling \$115.3 billion in fiscal year 2011.
- This figure was attributable to 79 programs spread among 17 agencies.

# Improper Payments: Fiscal Year 2011 Largest 10 Estimates by Dollar Amount

Program	Agency	Reported Improper Payment Estimates	
		Dollars (in billions)	Error rate (percentages)
Medicare Fee-for-Service	Health and Human Services	\$28.8	8.6%
Medicaid	Health and Human Services	\$21.9	8.1%
Earned Income Tax Credit	Treasury	\$15.2	23.5%
Unemployment Insurance	Labor	\$13.7	12.0%
Medicare Advantage	Health and Human Services	\$12.4	11.0%
Supplemental Security Income	Social Security Administration	\$4.6	9.1%
Old Age, Survivors, and Disability Insurance	Social Security Administration	\$4.5	0.6%
Supplemental Nutrition Assistance	Agriculture	\$2.5	3.8%
National School Lunch	Agriculture	\$1.7	16.0%
Medicare Prescription Drug Benefit	Health and Human Services	\$1.7	3.2%

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# Improper Payments: Building on Current Actions Moving toward Prevention

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- Identify the root causes of improper payments
- Develop effective preventive controls to avoid improper payments in the first place;
- Develop effective detective controls to identify and recover losses to the government

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# GAO's High-Risk List

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- Begun in 1990s---areas most in need of reform or most vulnerable to fraud, waste, abuse, and mismanagement
  - 30 areas currently on list; next update January 2013
- Qualitative & quantitative factors
- Helps focus attention of both agencies and the Congress on needed actions
- A number tied to financial management

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## High Risk List: Increased Emphasis on Solutions

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- Goal is to have programs move off the list
- Both 2011 Update & Web Site contain expanded information on actions needed to resolve identified issues
- Enhanced ongoing efforts to work with OMB and agencies to address problems while maintaining independence.
  - CG participated in over 25 meetings with agency and OMB leaders.
  - Numerous additional meetings with other GAO participants at all levels.



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## Value for Money — Evaluation, Priorities, Results

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- Fragmentation, Overlap & Duplication
- Government Performance & Results Act

# Mandate for GAO Duplication Reviews

## IDENTIFICATION, CONSOLIDATION, AND ELIMINATION OF DUPLICATIVE GOVERNMENT PROGRAMS

The Comptroller General of the Government Accountability Office shall conduct routine investigations to identify programs, agencies, offices, and initiatives with duplicative goals and activities within Departments and governmentwide and report annually to Congress on the findings, including the cost of such duplication and with recommendations for consolidation and elimination to reduce duplication identifying specific rescissions.

Source: Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

124 STAT. 8 PUBLIC LAW 111-139—FEB. 12, 2010

Public Law 111-139  
111th Congress

Feb. 12, 2010  
[H.R. Res. 427]

Joint Resolution  
Increasing the statutory limit on the public debt.  
*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof \$14,294,000,000,000.*

Statutory  
Pay-As-You-Go  
Act of 2010.

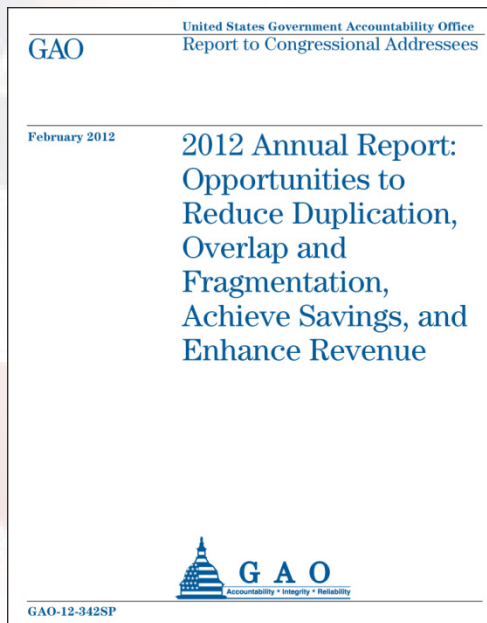
**TITLE I—STATUTORY PAY-AS-YOU-GO  
ACT OF 2010**

2 USC 901 note. SEC. 1. SHORT TITLE.  
This title may be cited as the "Statutory Pay-As-You-Go Act of 2010".

2 USC 901. SEC. 2. PURPOSE.  
The purpose of this title is to reestablish a statutory procedure to enforce a rule of budget neutrality on new revenue and direct spending legislation.

2 USC 902. SEC. 3. DEFINITIONS AND APPLICATIONS.  
As used in this title—  
(1) The term "BBEDCA" means the Balanced Budget and Emergency Deficit Control Act of 1985.  
(2) The definitions set forth in section 3 of the Congressional Budget and Impoundment Control Act of 1974 and in section 250 of BBEDCA shall apply to this title, except to the extent that they are specifically modified as follows:  
(A) The term "outyear" means a fiscal year one or more years after the budget year.  
(B) In section 252(c)(5)(C), the reference to the food stamp program shall be deemed to be a reference to the Supplemental Nutrition Assistance Program.  
(3) The term "AMT" means the Alternative Minimum Tax for individuals under sections 55-59 of the Internal Revenue Code of 1986, the term "EGTRRA" means the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), and the term "CUTERA" means the Jobs and Growth Tax Relief and Reconciliation Act of 2009 (Public Law 108-27).  
(4)(A) The term "budgetary effects" means the amount by which PAYGO legislation changes outlays flowing from direct spending or revenues relative to the baseline and shall be

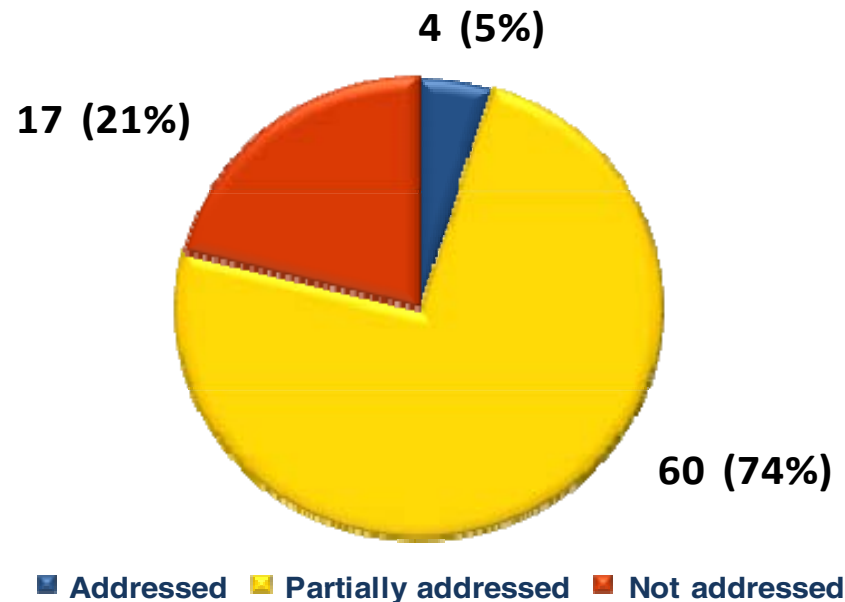
# Summary of 2012 Annual Report (GAO-12-342SP)



- 32 areas where agencies, offices, or initiatives have similar or overlapping objectives or provide similar services to the same populations; or where government missions are fragmented across multiple agencies or programs.
- 19 additional areas describing other opportunities for agencies or Congress to either reduce the cost of government operations or enhance revenue collections for the Treasury.
- Collectively, we identified about 130 actions that the executive branch or Congress could take. Depending on the extent of actions taken, these savings and revenues could collectively result in billions of dollars in savings.

# Status of 81 Areas in 2011

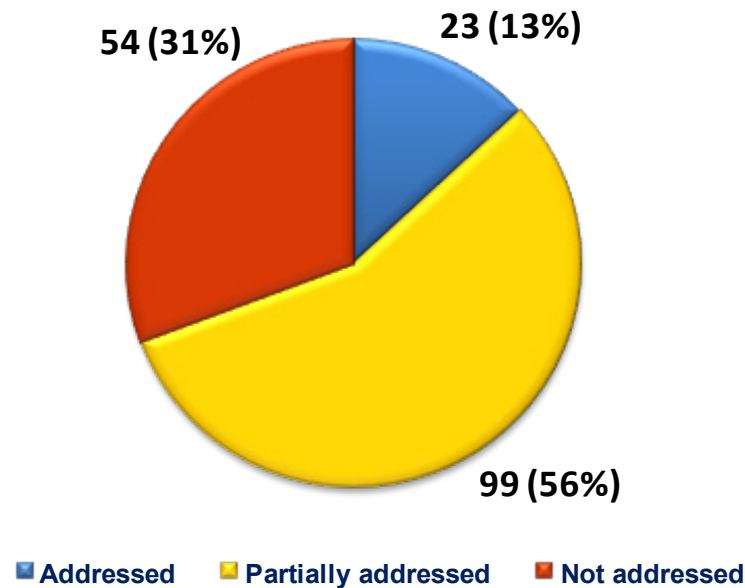
The Congress and the executive branch have made some progress in addressing the majority of the 81 areas that we identified; however, additional steps are needed to fully implement the remaining actions to achieve associated benefits.



Source: GAO analysis, as of February 10, 2012

## Status of 176 Actions in 2011

The majority of 176 actions needed within the 81 areas identified by GAO have been partially addressed.



Source: GAO analysis, as of February 10, 2012

## GAO Approach to Identifying Unnecessary Duplication, Overlap, or Fragmentation

- We examined the major budget functions and subfunctions of the federal government as identified by the Office of Management and Budget to identify issue areas involving multiple government agencies.
- We examined key missions and functions of federal agencies—or organizations within large agencies—using key agency documents (e.g., strategic plans).
- We also considered the work of other agencies such as the Office of Management and Budget and the Congressional Budget Office that identified potential issues of duplication, overlap, and fragmentation.
- The areas identified in our reports are not intended to represent the full universe of duplication, overlap, and fragmentation within the federal government, but we will have conducted a systematic examination across the government by the time we issue our third annual report in 2013.

# The Government Performance and Results Act Modernization Act (GPRMA)

- Provides opportunities to infuse a more disciplined approach to a broader array of government activities.
- Requires senior leadership involvement at the governmentwide and agency levels. These leaders are to be involved in
  - identifying and prioritizing key issues, and
  - more frequent monitoring and analysis of performance for those key issues.
- Requires more
  - disclosure on the reliability and accuracy of performance information, and
  - transparency of the results being achieved through web-based reporting.

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# GPRMA: Governmentwide and Agency Priority Goals

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- Governmentwide: long-term Federal Government priority goals: every 4 years
  - OMB w/ agencies
  - Across government: crosscutting policy areas & management improvements
- Agency level: agency priority goals
  - Agency's priorities
  - Ambitious targets achievable within 2 years



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## GPRMA: Quarterly Priority Progress Reviews Required

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- Top leadership and program officials required to:
  - review the progress achieved toward the goals;
  - assess the contributions of underlying federal organizations, programs, and activities;
  - categorize goals by their risk of not being achieved; and
  - develop strategies to improve performance.

# What Does 21<sup>st</sup> Century Governance Look Like?

- Issues government confronts growing more complex and boundary-less.
- Approaches (policy tools) that government uses to address these issues are wide ranging and increasingly indirect (e.g., loans and loan guarantees, provisions in the tax code).
- Citizen confidence in the federal government is at historic lows and citizens are rightly demanding increased transparency and opportunities for active engagement.
- All of this must take place in an environment where agencies are stressed to maintain and enhance the basic capacities they need (austerity budgets)

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# Financial Management Professionals: Stewardship Obligations

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- Recognize that effective & responsive government depends on the system, on commitment---and so on people
- Stewardship for what you control--managing costs & risks:
  - Front-end critically important—e.g. prevent improper payments rather than recoup them
- Stewardship for resources today and in the future:
  - Training & succession planning—e.g. Need for skilled workforce in acquisition and contract management

# Stewardship

- Stewardship beyond what you control
  - Ideas for improved operations, for improved program design
  - See programs/activities as part of broader set—crossing bureau, agency, and levels of government lines:
    - Contribute to discussion about program priorities and relative effectiveness
      - Between similar programs; between different approaches to a goal (spending, credit, tax provisions)

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## **GAO on the Web**

Web site: <http://www.gao.gov/>

## **Contact**

Chuck Young, Managing Director, Public Affairs, [youngc1@gao.gov](mailto:youngc1@gao.gov)  
(202) 512-4800, U.S. Government Accountability Office  
441 G Street NW, Room 7149, Washington, D.C. 20548

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