

A stylized, semi-transparent graphic of the American flag is positioned on the left side of the slide, extending from the top to the bottom. It features the stars and stripes in a simplified, geometric style.

Accessible Version

Trends and Challenges in Government Accountability

**AICPA Governmental Accounting and
Auditing Update Conference
Washington, DC - August 13, 2018**

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

Overview

- GAO's Strategic Plan
- Key trends and related audit work
- Government Auditing standards



GAO Strategic Plan for 2018-2023

1. Goals & Objectives

2. Key Efforts

3. Trends Affecting Government and Society

Trends Affecting Government & Society



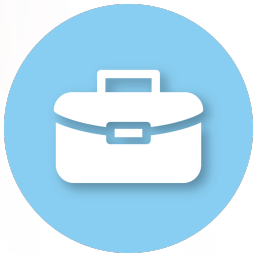
Global Security



Debt and Fiscal Outlook



**Economics, Trade, &
Connectedness**



**Education and
Employment**



**Changes in People and
Society**



Science & Technology



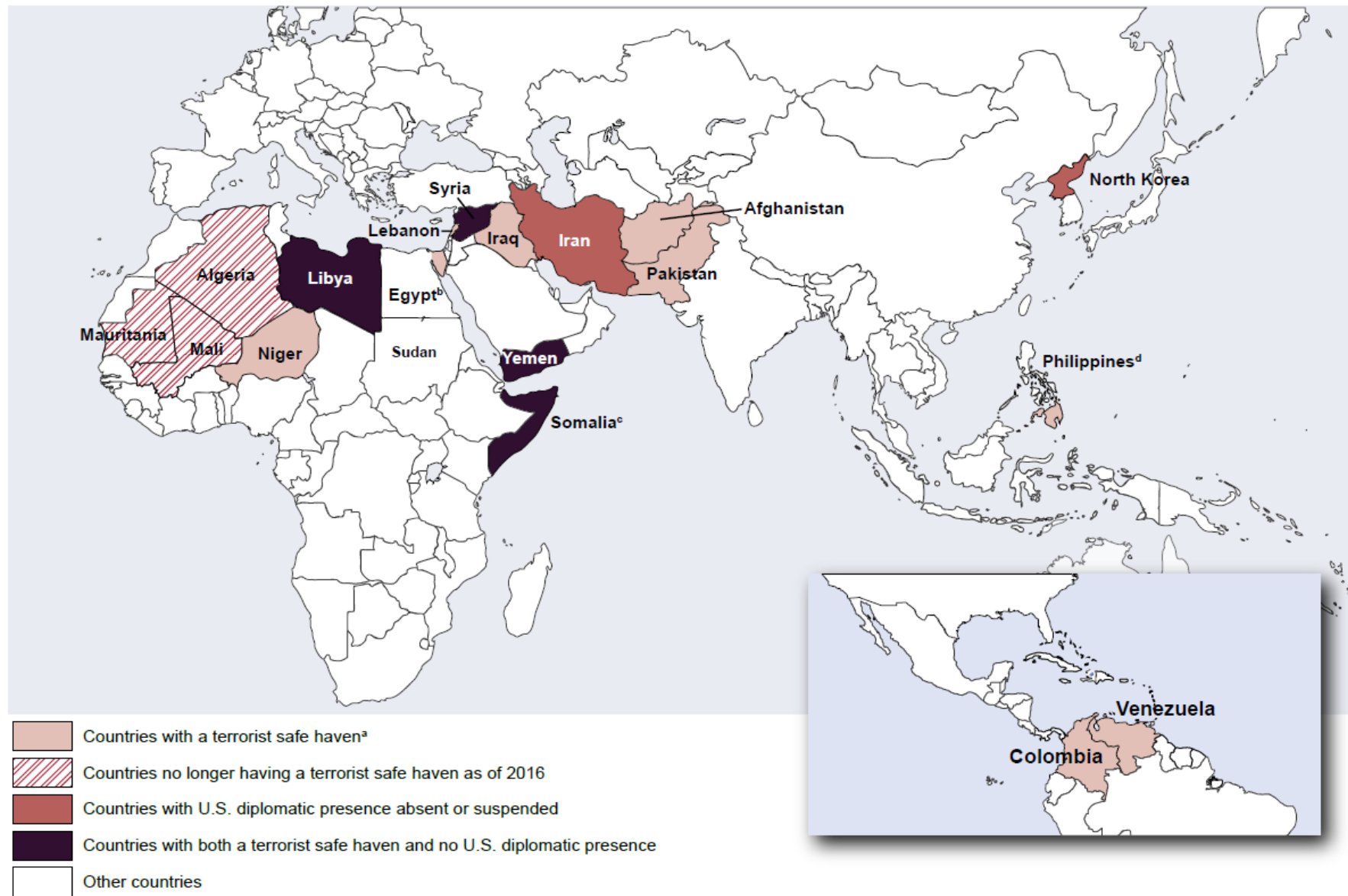
**Government and
Governance**



**Environment and
Sustainability**

Trend 1: Global Security

Terrorism Safe Havens and U.S. Diplomatic Presence, as of 2016



Trend 1: Global Security



United States Government Accountability Office
Report to Congressional Addressees

June 2017

DEPARTMENT OF DEFENSE

Actions Needed to
Address Five Key
Mission Challenges

GAO-17-369

***1. Rebalancing forces /
rebuilding readiness***

***2. Cyber threats /
cyber capabilities***

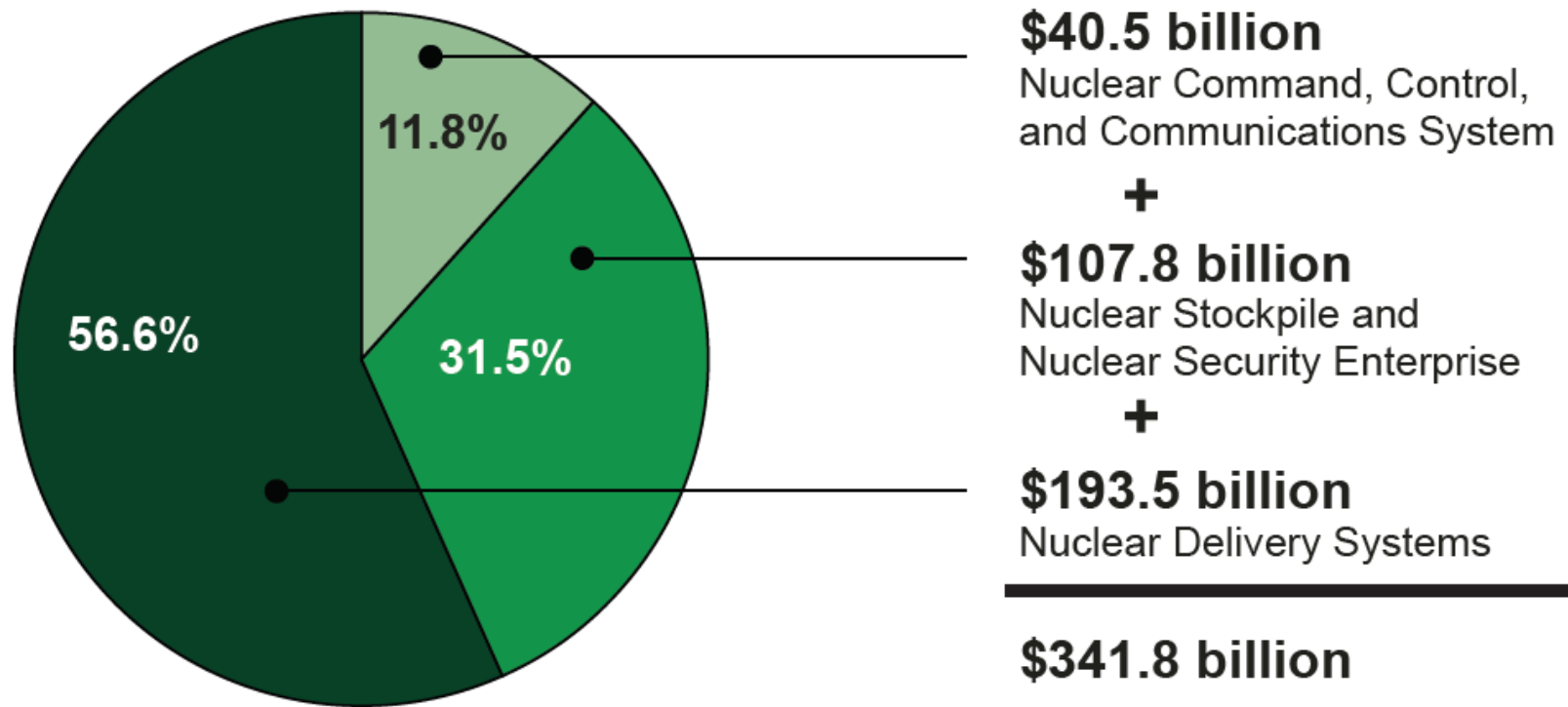
3. Control of program costs

***4. Human capital
management***

5. Business operations

Trend 1: Global Security

10-year Estimates for Sustaining and Modernizing the U.S. Nuclear Deterrent



Source: GAO analysis of DOD and DOE data. | GAO-18-1SP

Trend 1: Global Security

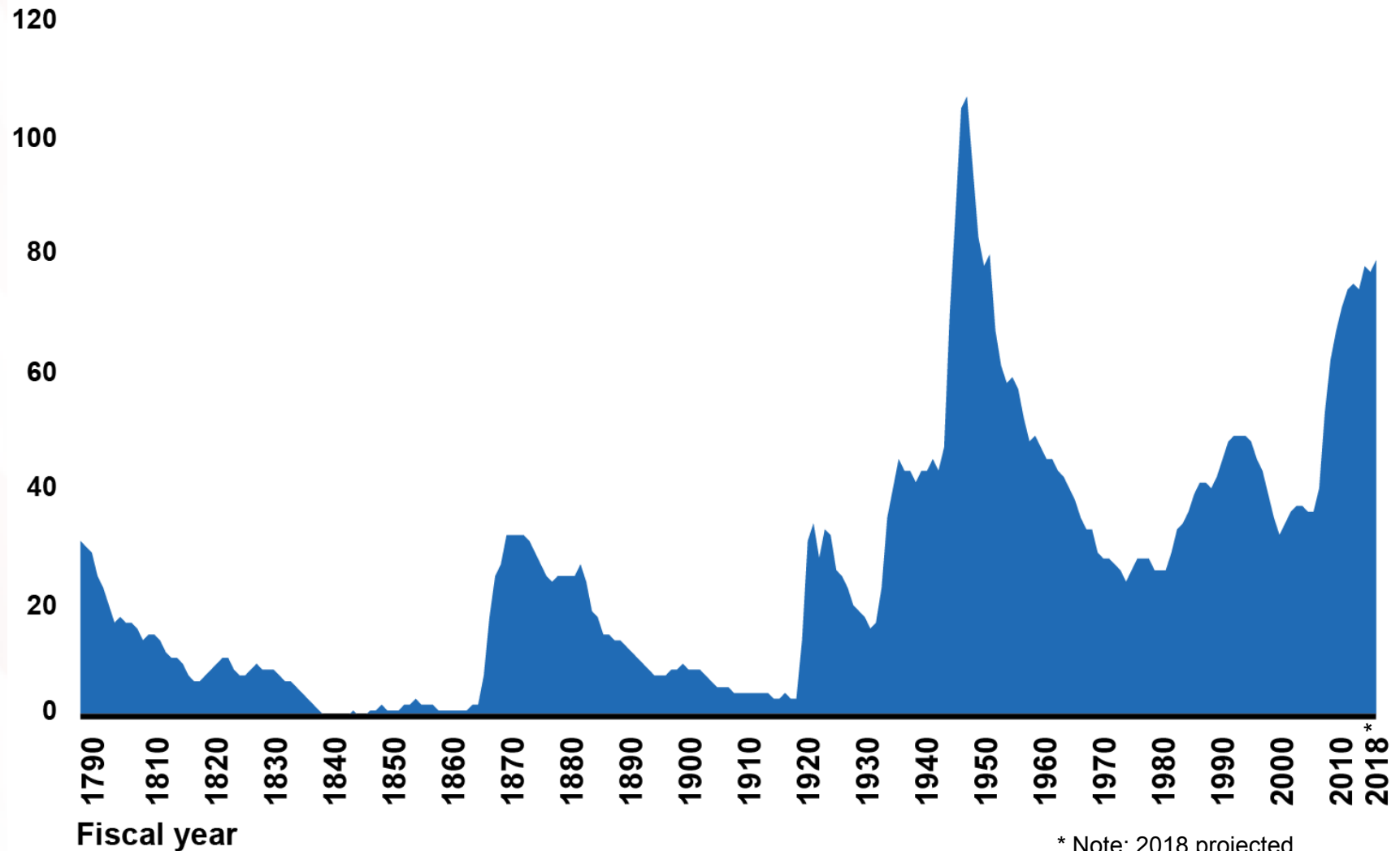
Related GAO Work

- Analyze the implementation of U.S. and international efforts to **counter threats** at home and abroad.
- Assess efforts to strengthen the **cybersecurity** of critical infrastructure and federal government assets.
- Assess DOD's ability to meet operational demands, **rebalance forces**, and **rebuild readiness** in an evolving global security environment.
- Assess efforts to sustain and **modernize the capabilities** of U.S. military forces and weapons systems, including the **nuclear security enterprise** and **nuclear force** structure.
- Assess U.S. **emergency preparedness** and efforts to strengthen **resilience**.
- Review efforts to manage the effects of **foreign investment** and a **global supplier base** on U.S. national security interests.

Trend 2: Debt and Fiscal Outlook

Federal Debt Held by the Public as a Share of GDP (1790-2018)

Percentage of gross domestic product



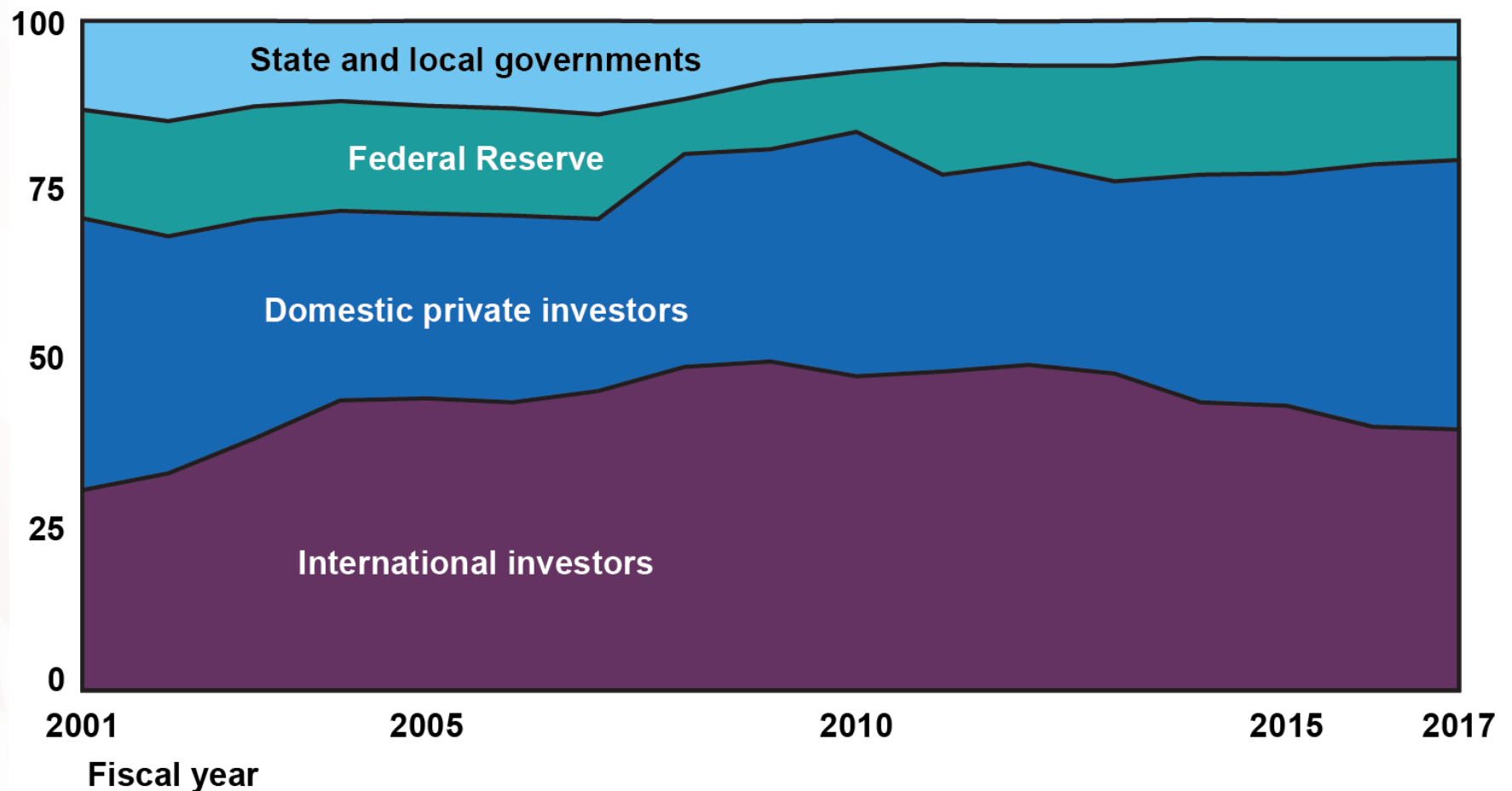
* Note: 2018 projected

Source: GAO analysis of Congressional Budget Office data and 2017 *Financial Report*.

Trend 2: Debt and Fiscal Outlook

Distribution of Ownership of Debt Held by the Public

Percentage of total debt held by the public



Source: GAO analysis of data from the Federal Reserve, Financial Accounts of the United States.

Trend 2: Debt and Fiscal Outlook

Net interest spending

Category	FY 2017	FY 2028*	FY 2046*	FY 2059*	FY 2091*
Nominal dollars (billions)	263	939	4,167	10,407	74,966
As a percentage of total federal spending (%)	6.6	13.6	21.6	28.1	40.8

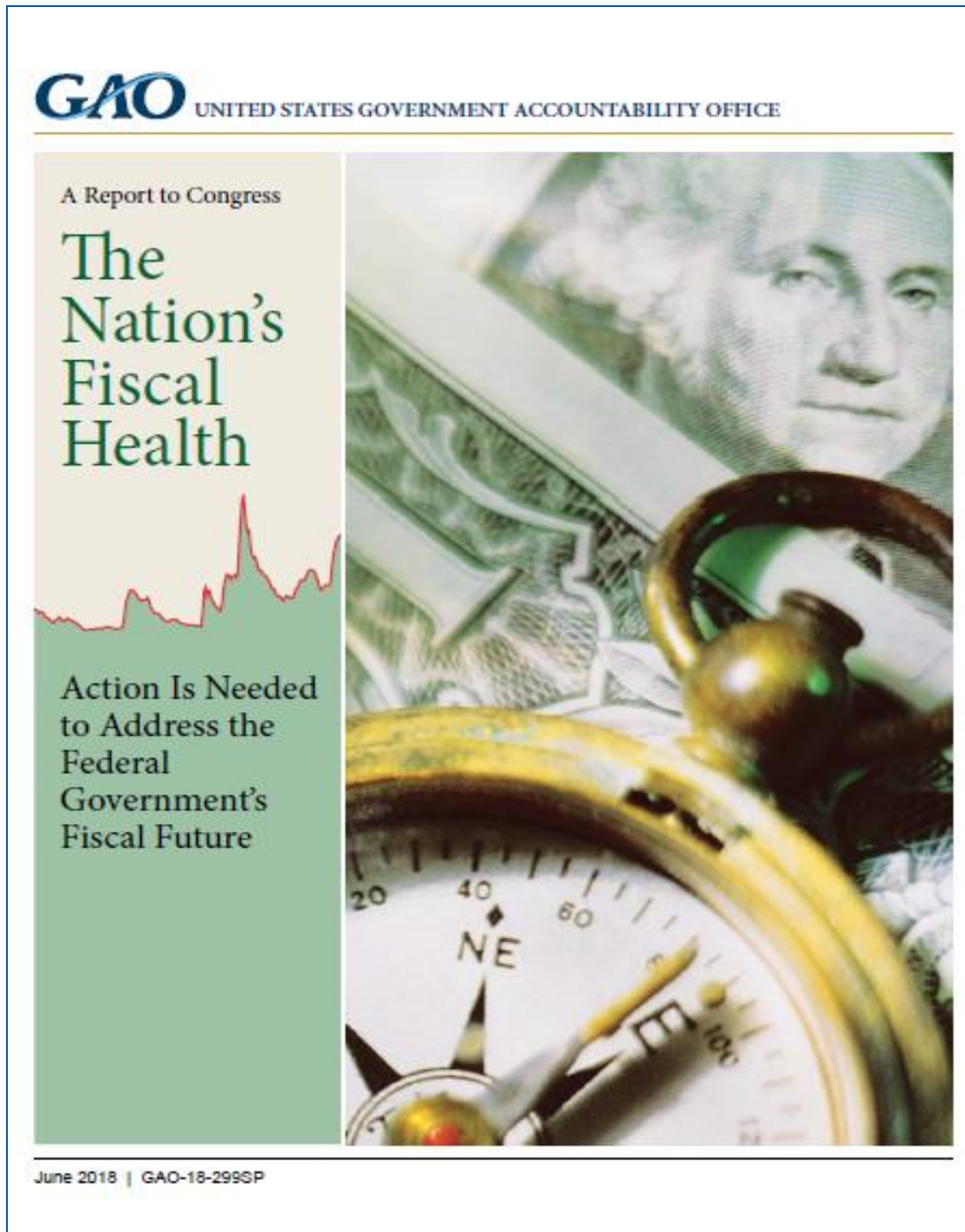
Source: GAO's 2018 alternative simulation.

* Figures after FY2017 are projected.

Trend 2: Debt and Fiscal Outlook

- In its June 2018 Long-Term Budget Outlook, CBO estimates that the **debt-to-GDP ratio** will be
 - 96% by 2028
 - 107% by 2034
- CBO projects that **net interest on the debt** will roughly triple by 2028 in nominal terms and roughly double when measured as a percentage of GDP (from 1.6% in 2018 to 3.1% in 2028)
- By 2048, CBO projects that net interest will be 6.3% of GDP
- In CBO's baseline projections, **federal deficits** are projected to reach **\$1 trillion in 2020** and **average \$1.2 trillion** per year.

Trend 2: Debt and Fiscal Outlook



Trend 2: Debt and Fiscal Outlook

Related GAO Work

- Perform long-term **fiscal simulations** and analyzing the drivers of the fiscal position of **federal** and **state and local sectors**, including **tax policy, health, disability & retirement programs**.
- Analyze **federal debt** and **debt management**.
- Identify and recommend solutions to reduce the risk of **waste, fraud, and abuse** and **improper payments**.
- Identify opportunities to reduce the **tax gap** and further protect **revenue**.
- Identify opportunities to reduce or eliminate **fragmentation, overlap, and duplication** in government programs and activities.
- Improve the quality of **financial and cost information**.

Important Areas for the Accountability Community

- High Risk List
- Fragmentation, Overlap and Duplication
- Improper Payments
- DATA Act
- Fraud Reduction and Data Analytics Act

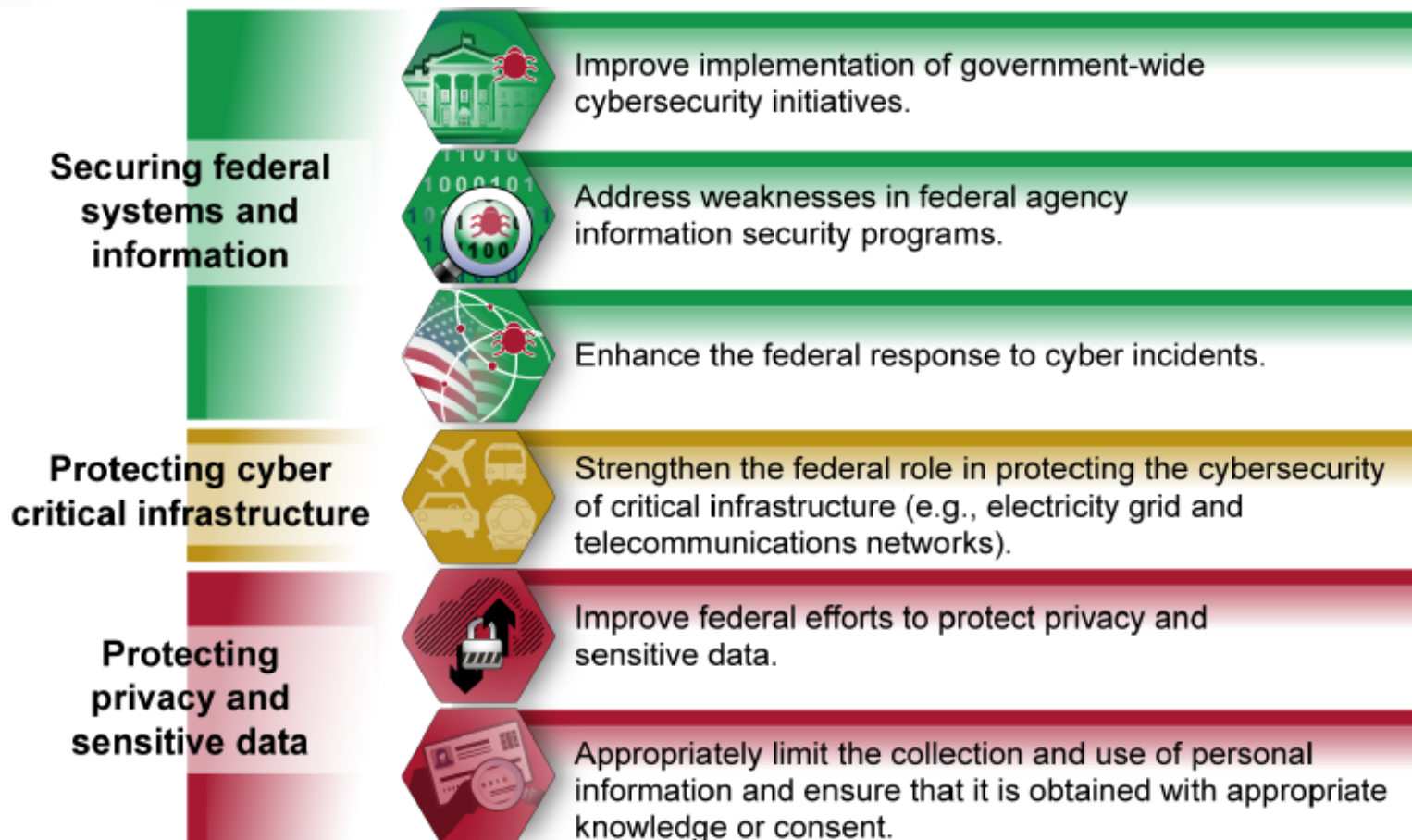
High Risk: Cybersecurity Challenges

- 4 major cybersecurity challenges & 10 critical actions to address them



High Risk: Cybersecurity Challenges

- 4 major cybersecurity challenges & 10 critical actions to address them (cont'd)

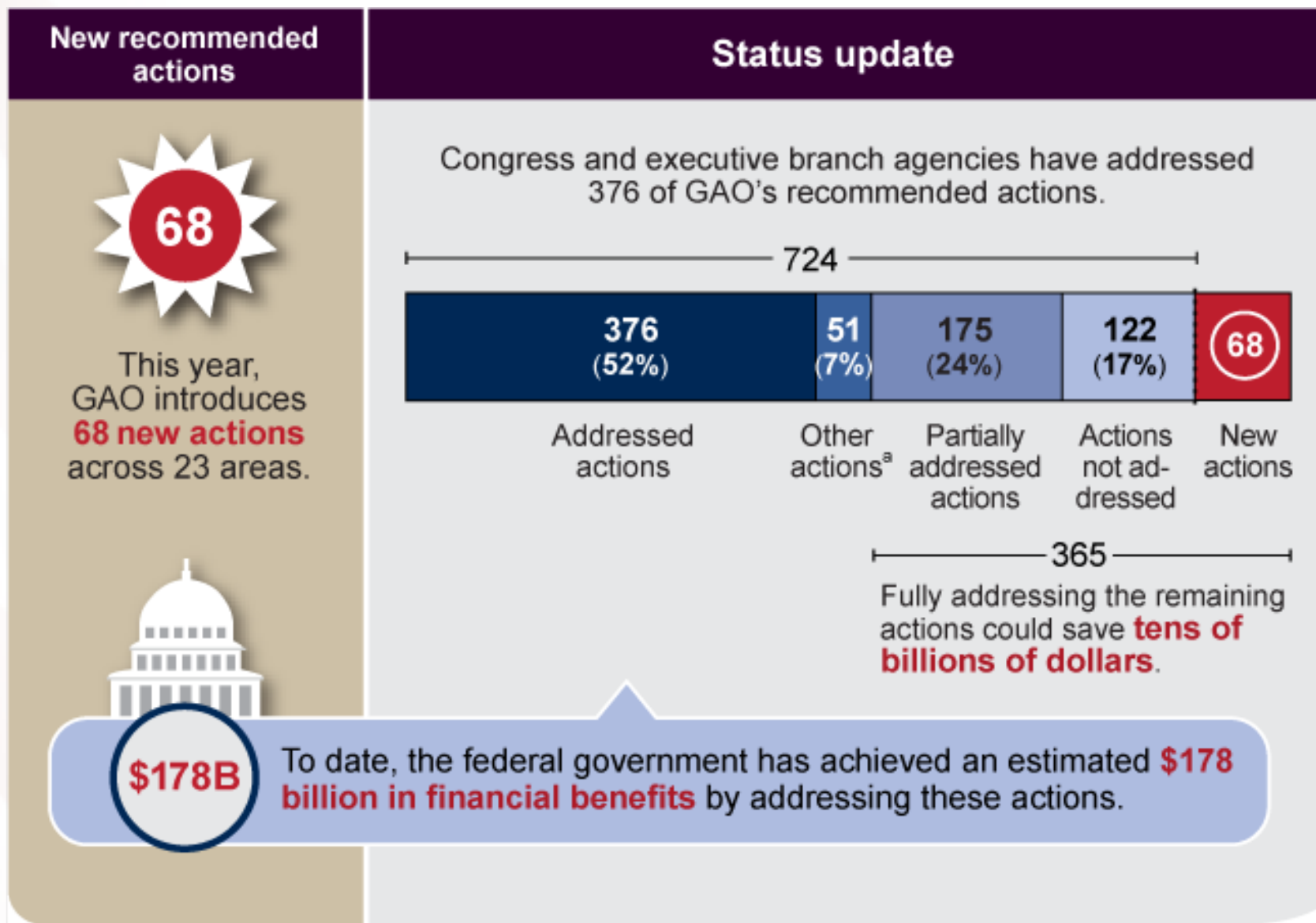


GAO's High Risk List

Criteria for Removal from GAO's High Risk List



Fragmentation, Overlap, and Duplication



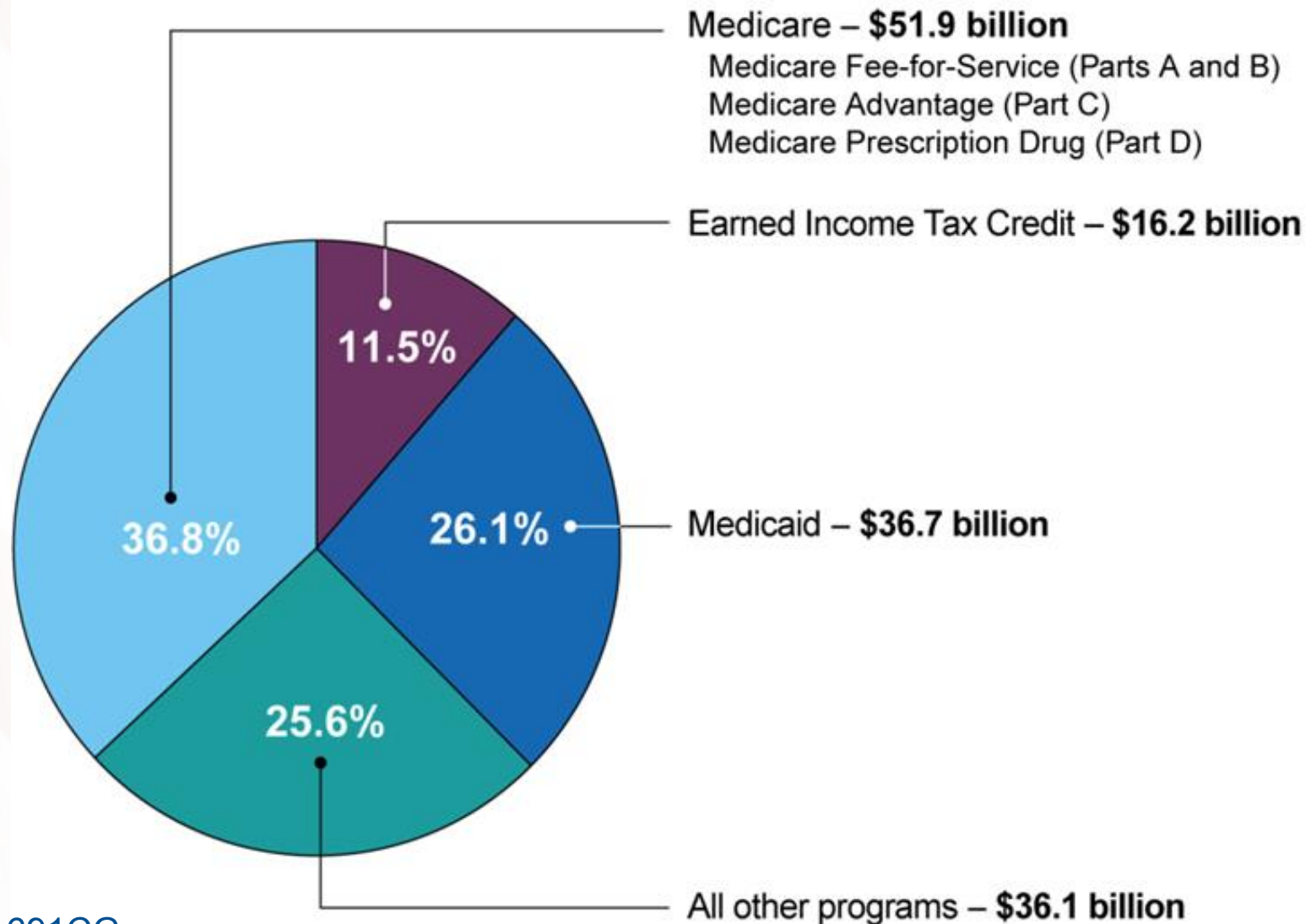
Source: GAO. | GAO-18-371SP

Data as of March 2018

^aOther actions include those that were consolidated or closed-not addressed. These actions are no longer assessed.

Improper Payments

FY2017 improper payment estimates are approximately \$141 billion

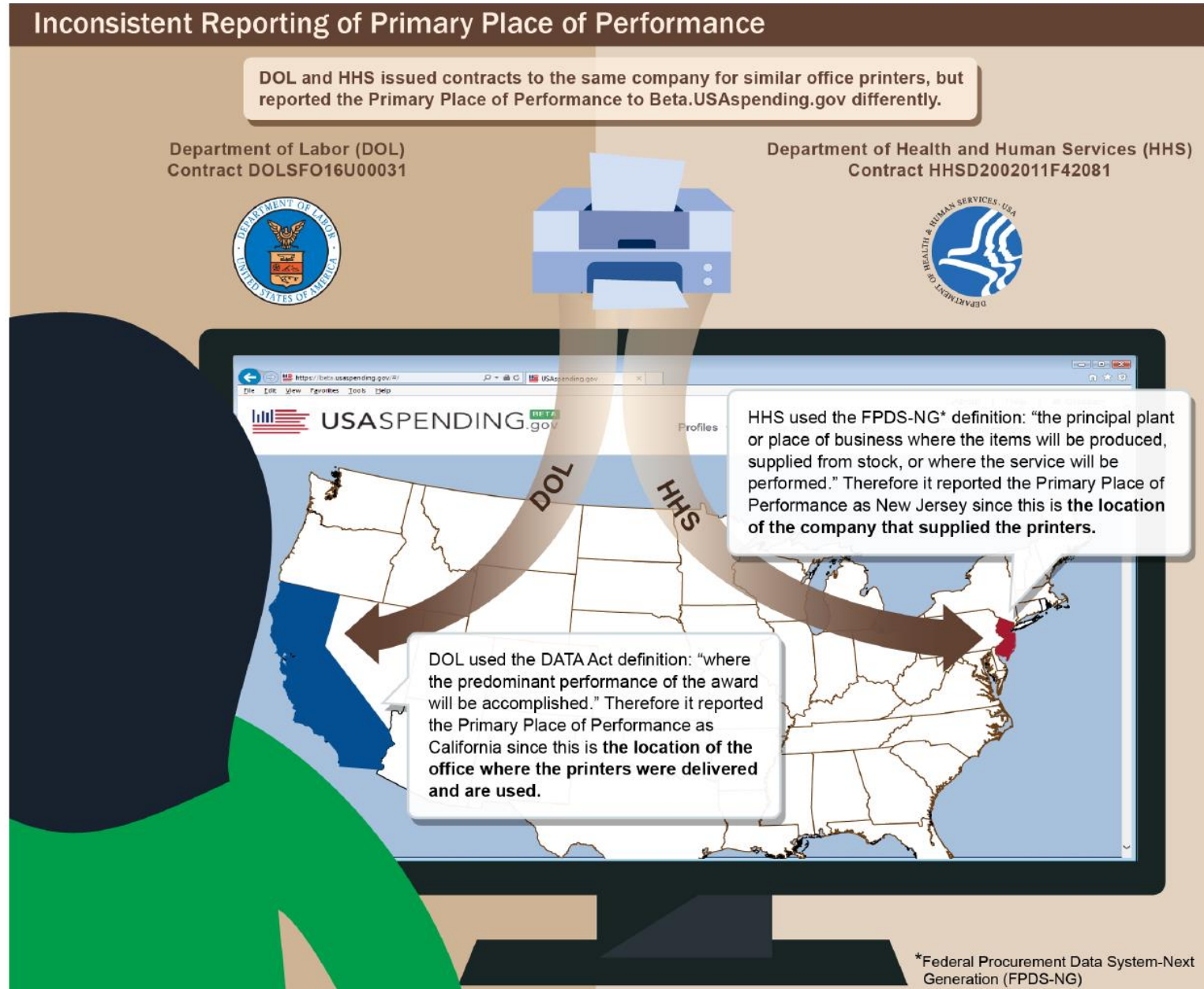


DATA Act

- Increases transparency of over \$3.7 trillion in annual federal spending
- Requires OMB and Treasury to establish standards
- GAO's first review of the quality of the data was in November 2017
 - Completeness of data
 - Accuracy of data
 - Use of data elements
- Review of OIG reports






DATA Act

Different Definitions Affect Reporting



Source: GAO analysis of Beta.USAspending.gov database, downloaded on 5/24/2017. | GAO-18-138

Fraud Reduction and Data Analytics Act

What are the requirements of the Fraud Reduction and Data Analytics Act of 2015?	
	The Office of Management and Budget (OMB) must establish guidelines that incorporate leading practices from GAO's Fraud Risk Management Framework.
	Agencies are required to establish financial and administrative controls, to include, among other things, evaluating fraud risks, designing and implementing related antifraud controls, and using data to monitor fraud trends.
	OMB must establish a working group to improve the sharing of controls and other best practices for addressing fraud and development of data-analytics techniques.
	The working group must submit a plan to the Congress for establishing a federal interagency library of data analytics and data sets that can be used to address fraud.
	Federal agencies must report to the Congress for 3 years, as part of their annual financial reporting, on their progress in implementing OMB's guidelines and other antifraud guidance, identifying fraud risks, and establishing steps to reduce fraud.

Source: GAO analysis of legislation. | GAO-18-1SP

GAO Fraud Risk Management Framework

It includes leading practices in four components:

Commit to combating fraud by creating an organizational structure and culture conducive to fraud risk management.

Assess fraud risks and document the assessment in a fraud risk profile.



Evaluate outcomes and **adapt** fraud risk management activities for continuous improvement.

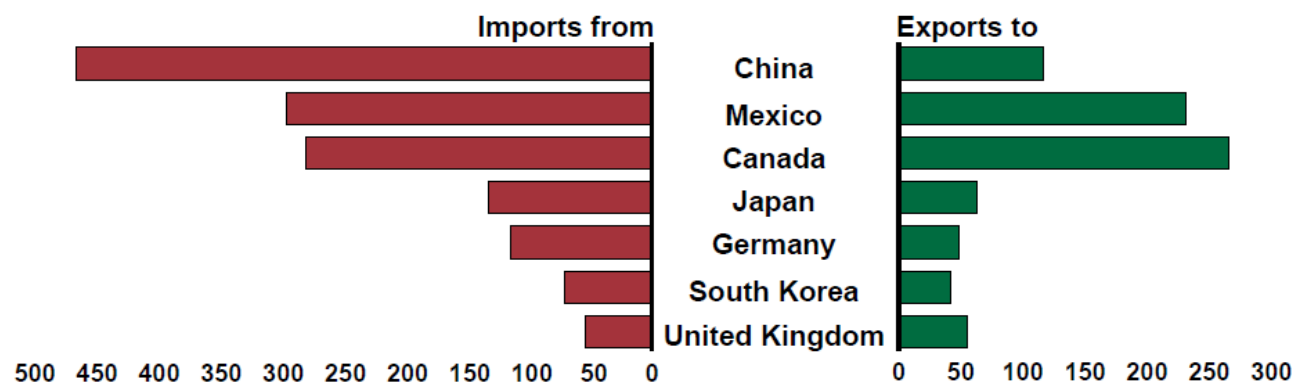
Design and Implement a strategy with control activities to mitigate fraud risks.

The Framework emphasizes using a risk-based approach and focusing on fraud prevention. The practices may be tailored to a program's operations, environmental factors, and risks.

Trend 3: Economics, Trade, & Connectedness

Overview of U.S. International Trade

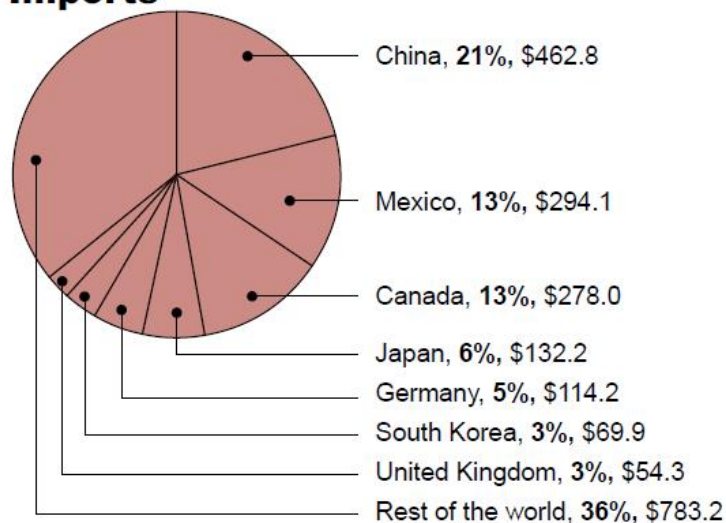
U.S. merchandise trade with top 7 partners in 2016 (dollars in billions)



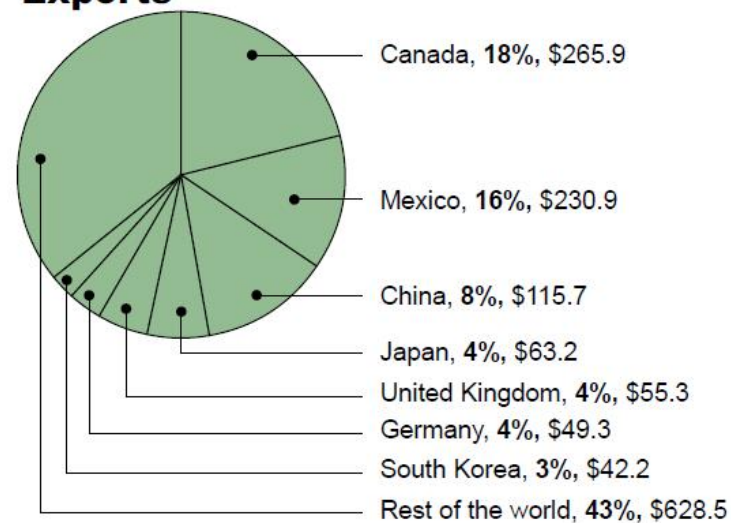
Top seven U.S. markets in 2016

Merchandise trade (dollars in billions)

Imports



Exports



Source: GAO analysis of U.S. Department of Commerce data. | GAO-18-1SP

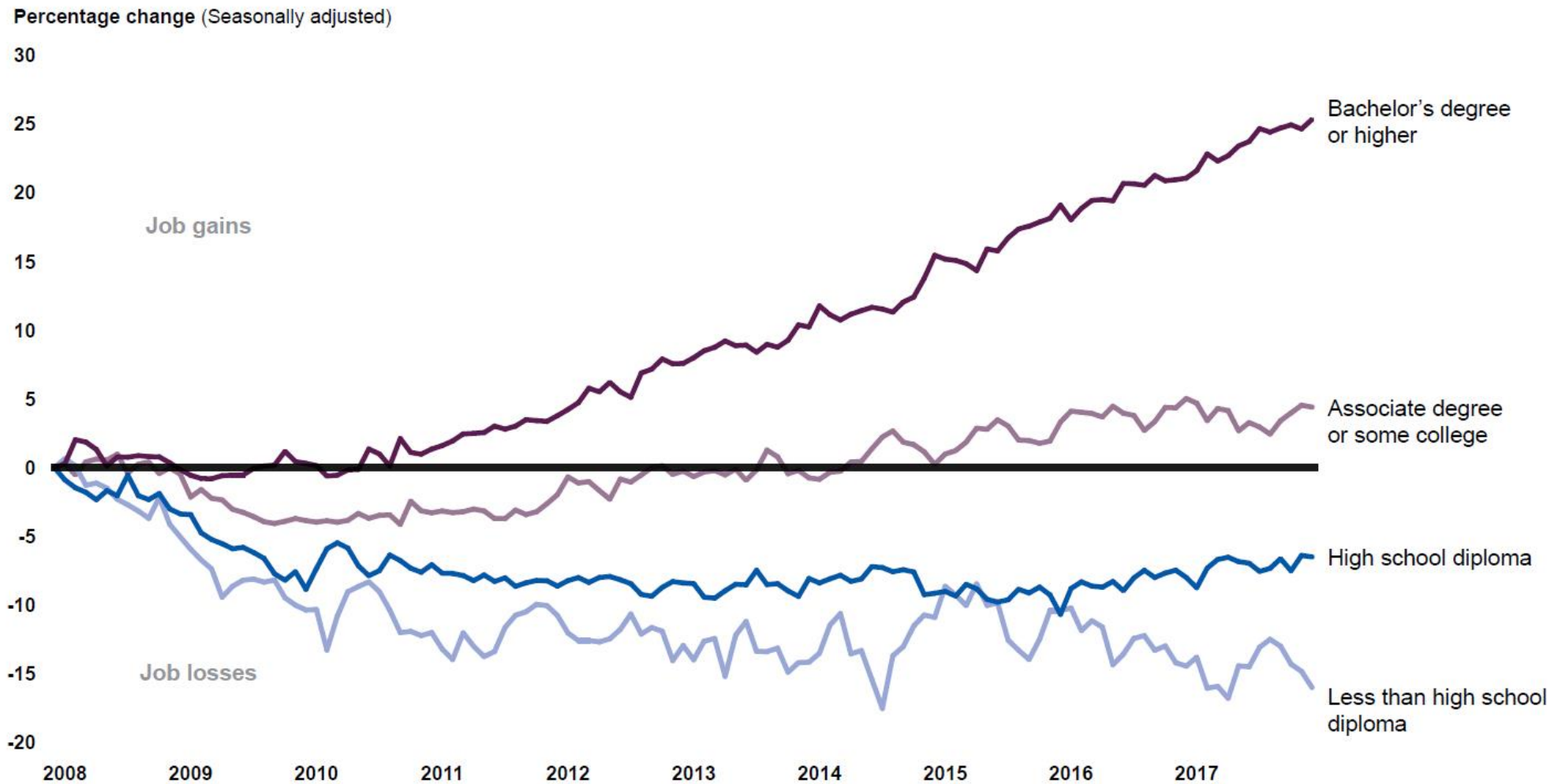
Trend 3: Economics, Trade, & Connectedness

Related GAO Work

- Assess the ability of regulators to oversee the **financial services** industry and maintain a stable, competitive, and efficient financial system.
- Assess federal oversight of **consumer protection** laws and regulations, including efforts to ensure a safe **food supply** and **medical products**.
- Analyze how **international trade programs** serve U.S. interests, including export financing and trade enforcement.
- Analyze the implementation and management of U.S. bilateral and multilateral **foreign assistance**.

Trend 4: Education and Employment

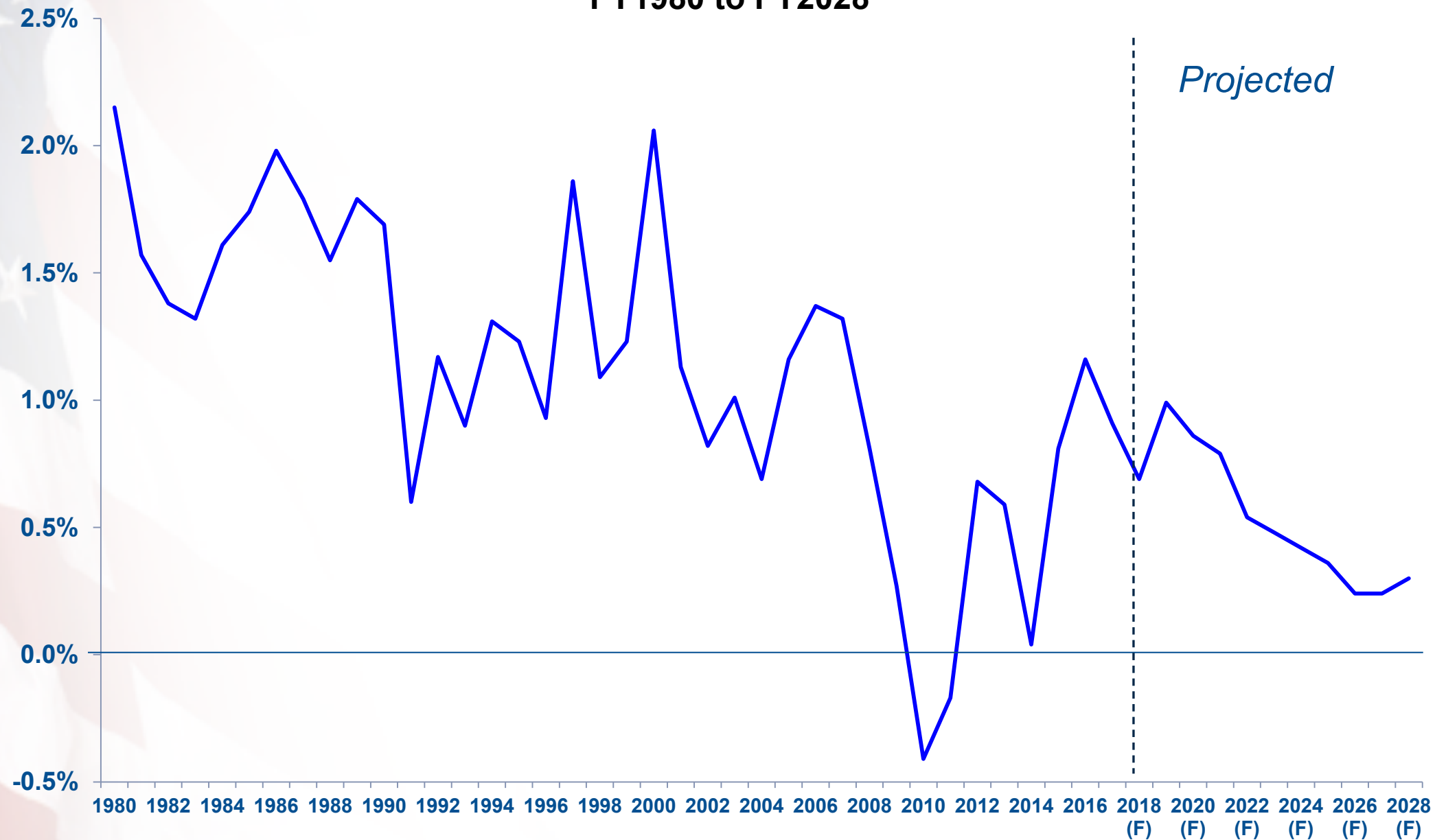
Changes in Employment by Education level, 2008-2017



Source: GAO analysis of data from the Bureau of Labor Statistics, U.S. Department of Labor. | GAO-18-1SP

Trend 4: Education and Employment

Percentage Annual Growth in Civilian Labor Force (16 years and older)
FY1980 to FY2028



Sources: BLS for actual 1980-2017 data. CBO for projected 2018-2028 data.

Trend 4: Education and Employment

- New technologies affect the types of jobs that are available and the specific job skills required
- Innovation may lead to a mix of job creation and job loss
- Changes will create strains on education and workforce systems alike
- Composition of the workforce is changing
 - Workforce participation expected to rise for those aged 65+ by 2026
 - Participation in the civilian workforce is shrinking

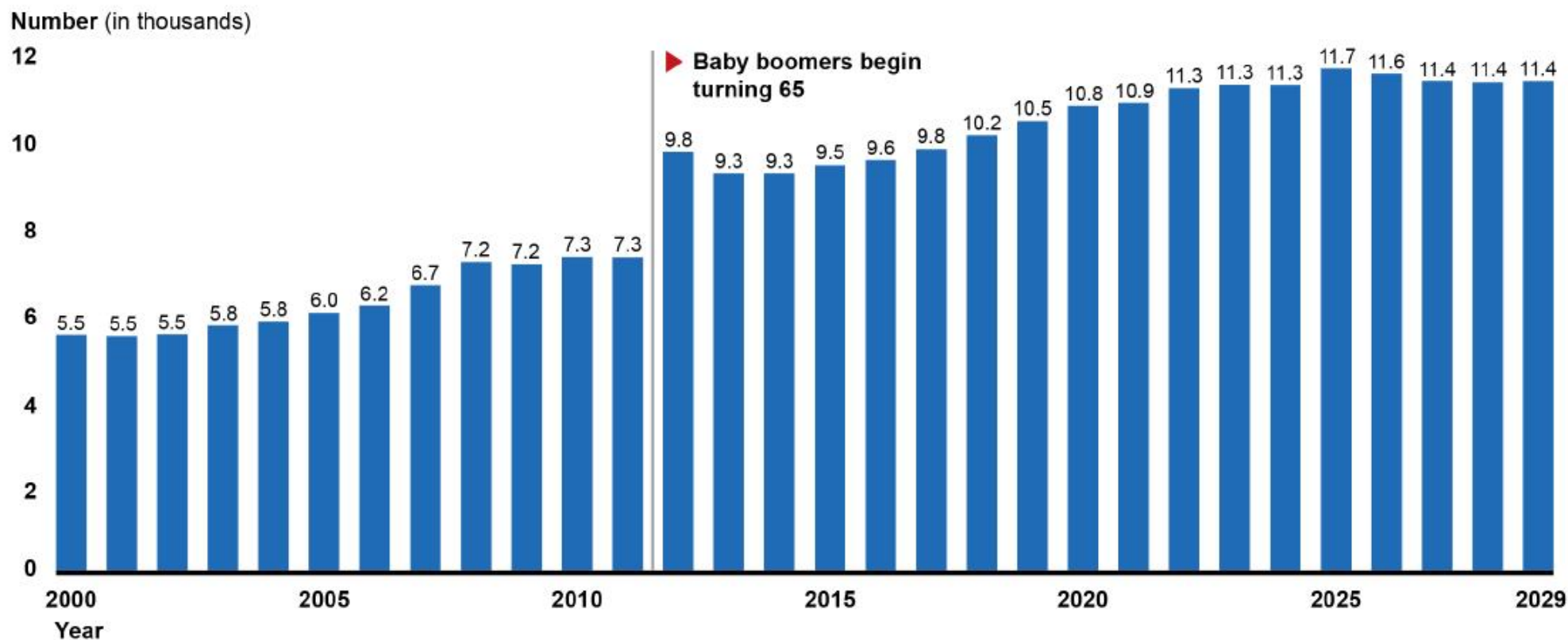
Trend 4: Education and Employment

Related GAO Work

- Assess policy and administrative challenges to improving school readiness and **K-12 education**.
- Evaluate management and oversight of **student aid** programs, as well as programs and policies designed to promote postsecondary **access** and **affordability**.
- Evaluate federal efforts to oversee and manage employment and **training programs** in an evolving economy.
- Evaluate federal and state efforts to collaborate and implement the **Workforce Innovation and Opportunity Act**.
- Evaluate federal efforts to provide employment assistance for transitioning **veterans**.

Trend 5: Changes in People and Society

Daily Average Number of People Turning 65

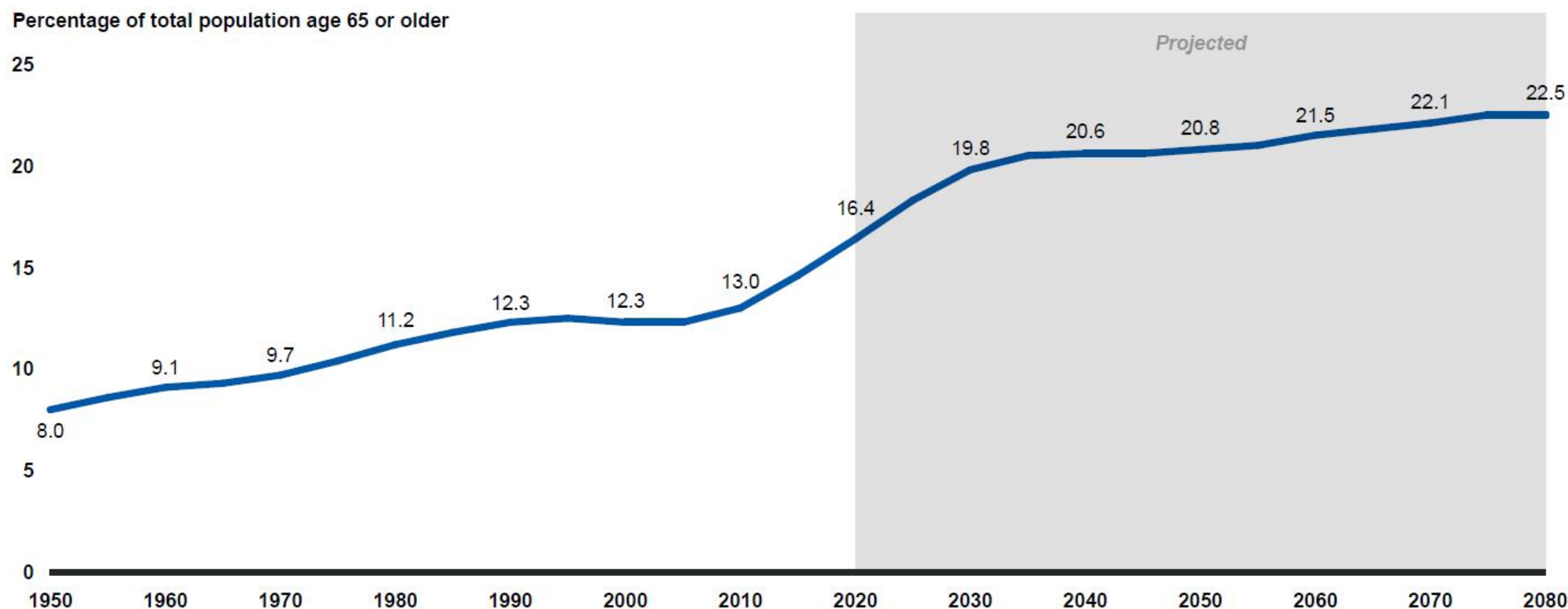


Source: GAO analysis of U.S. Census Bureau information. | GAO-17-237SP

Note: Census data estimates of population are as of July 1 in each year.

Trend 5: Changes in People and Society

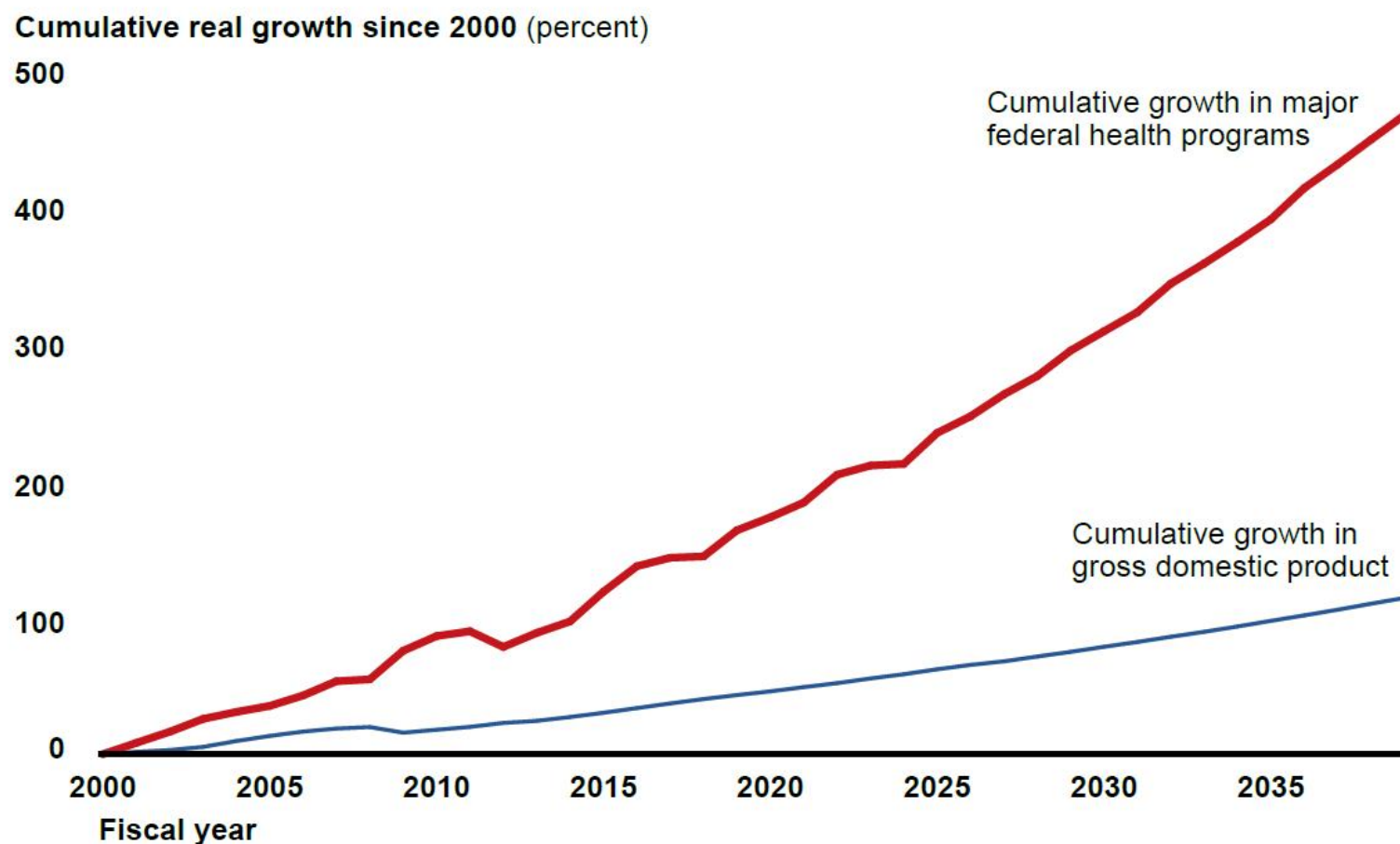
Older Americans Comprise an Increasing Share of the Total Population



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration (intermediate assumptions). | GAO-18-1SP

Trend 5: Changes in People and Society

Federal Spending on Major Health Care Programs Grows Faster Than GDP

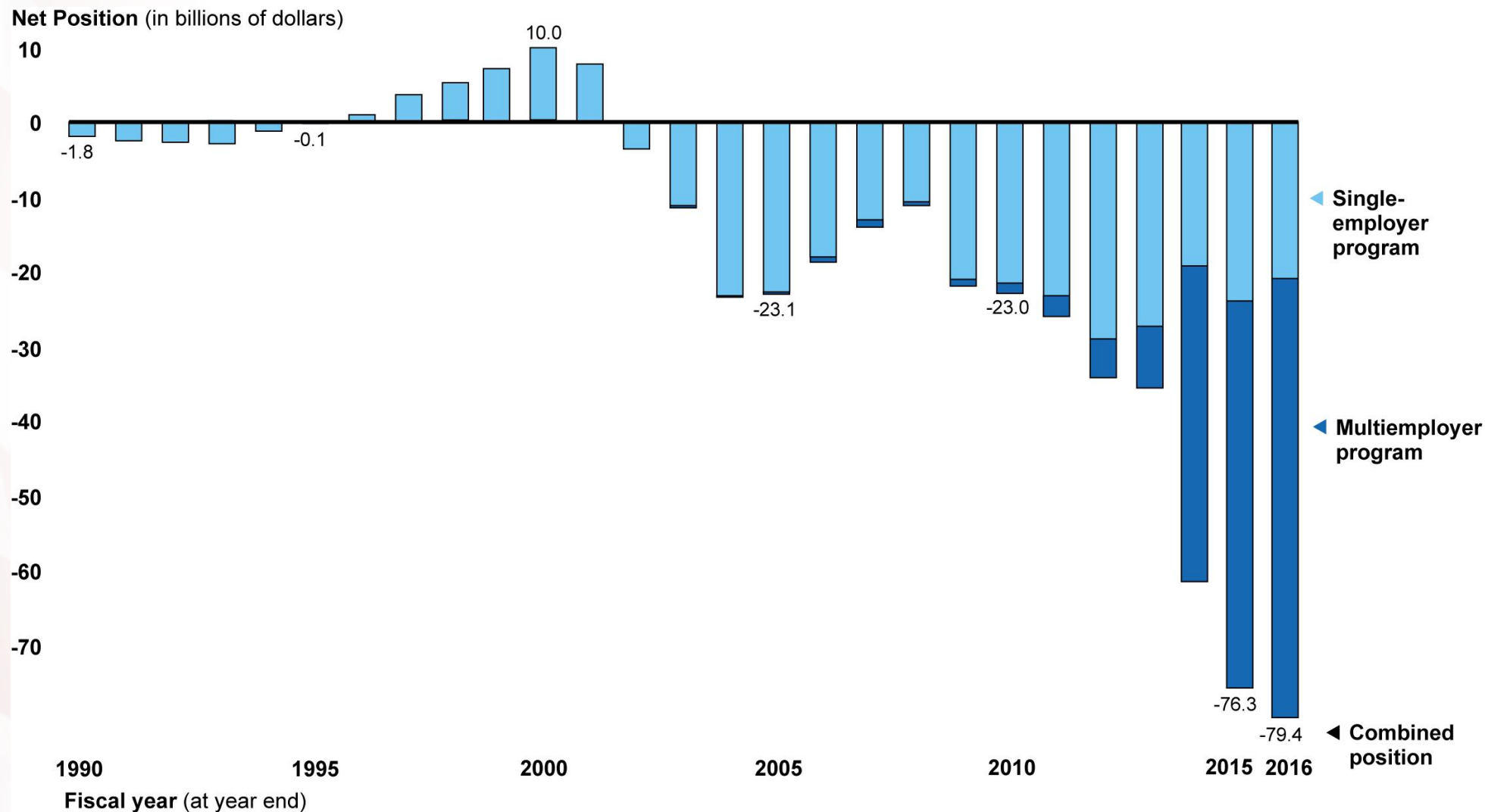


Source: GAO analysis of Congressional Budget Office data. | GAO-18-1SP

Note: Data after fiscal year 2015 are projected.

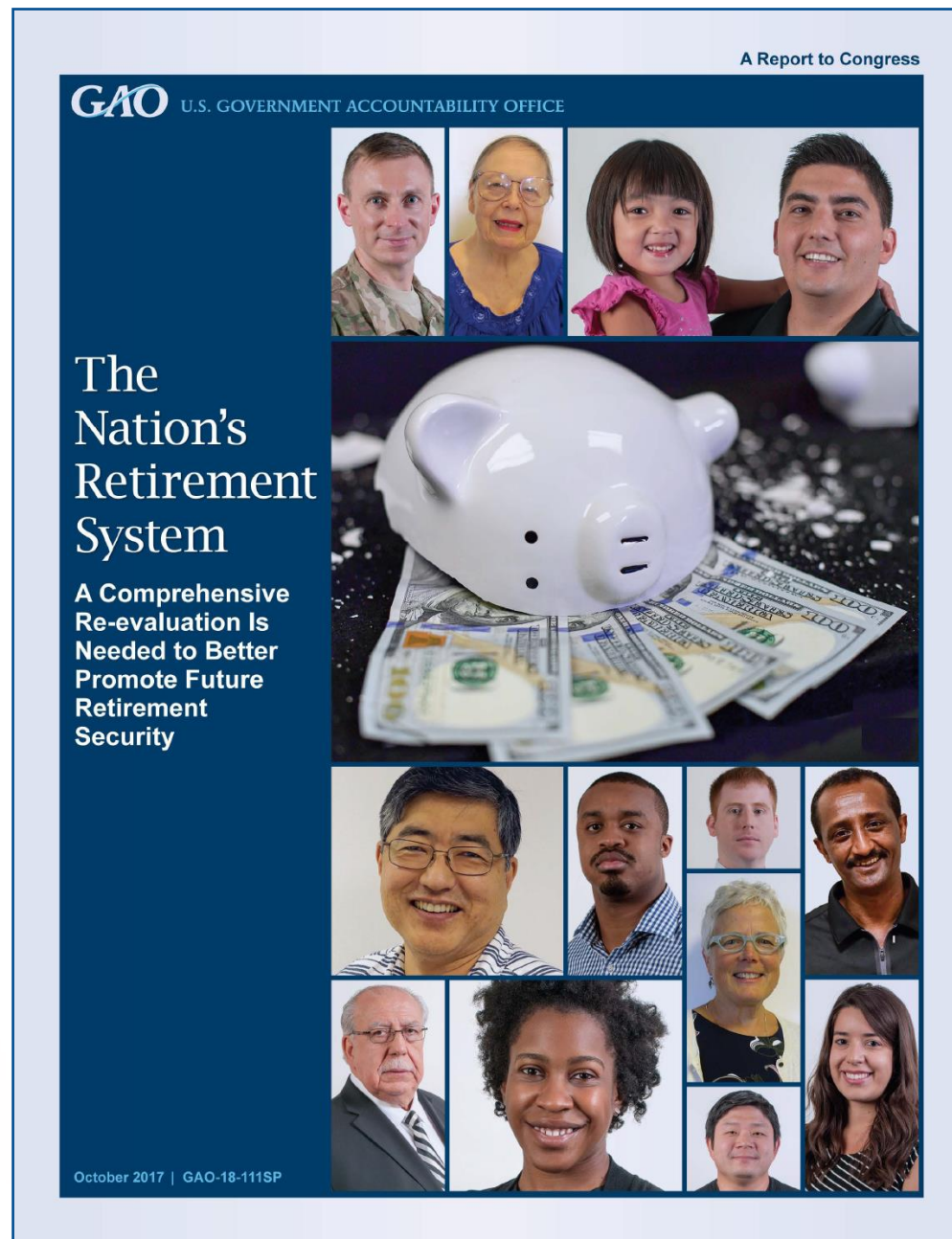
Trend 5: Changes in People and Society

The Pension Benefit Guaranty Corporation's Net Position Is Declining



Source: Pension Benefit Guaranty Corporation financial data. | GAO-17-237SP

Trend 5: Changes in People and Society



Trend 5: Changes in People and Society

Related GAO Work

- Assess trends affecting the **health care** system, including costs and issues in public and private **health insurance** coverage and reforms.
- Evaluate financing, expenditures, and oversight of **Medicare** and **Medicaid**.
- Assess efforts to reduce **fraud, waste, and abuse** in federal health care programs.
- Assess the challenges to providing **Social Security** and other benefits for older adults in **retirement**, as well as the adequacy and effectiveness of **employer-sponsored retirement plans** in providing security to older adults.
- Assess actions and options for improving **VA** and **DOD health care** services.
- Review the policies and administration of programs that could enable older adults to maintain their **independence**.

Trend 6: Science and Technology

Five emerging trends will potentially transform society



Genome editing



AI and automation



Quantum information science



Brain-computer interfaces and augmented reality



Cryptocurrencies and blockchain

Trend 6: Science and Technology

New office planned within GAO to focus on science and technology

- Technology assessments and assistance
- Oversight of federal science activities
- Technical audit support in engineering, advanced analytics, and cybersecurity

Trend 6: Science and Technology

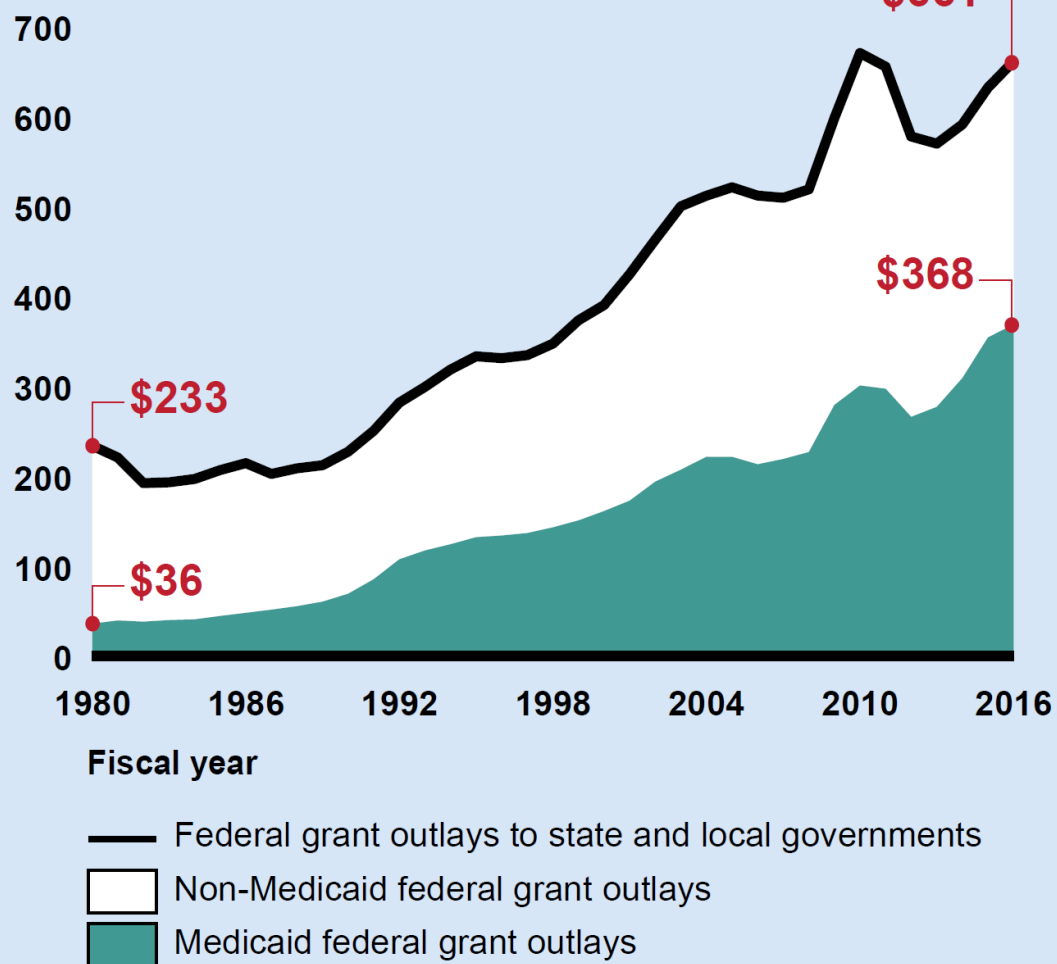
Related GAO Work

- Perform **technology assessments** in areas such as health care AI, blockchain, electromagnetic pulse events, flu vaccines, antibiotic resistance, and airport security.
- Evaluate the **technology readiness** and performance of **complex weapons systems**, such as the Columbia class ballistic submarine, military space systems, and U.S. nuclear forces.
- Assess cost and schedule performance of major **NASA** and **DOD** science and technology programs and acquisitions.
- Examine federal efforts to protect **intellectual property**, enhance **information security**, safeguard **privacy**, and promote **innovation**.
- Review the effectiveness and governance of federal **IT investment**.
- Assess federal investments and programs that support **transportation infrastructure** and associated new technologies.
- Assess federal military and civilian **satellite programs** and efforts to support and oversee **telecommunications** in the public interest.

Trend 7: Government and Governance

Total Federal Outlays for Grants to State and Local Governments, FY 1980–2016

2016 constant dollars (in billions)



Source: GAO analysis of OMB data.

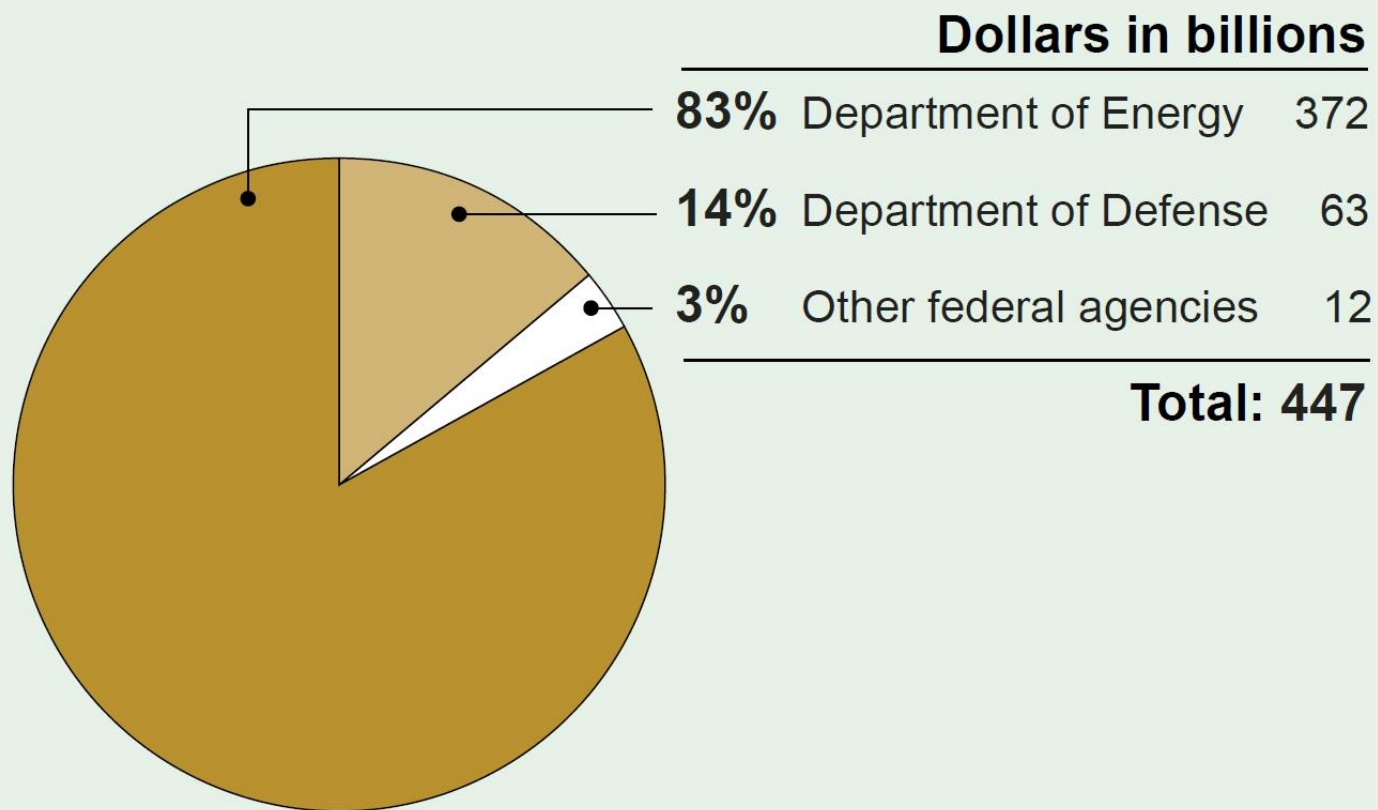
Trend 7: Government and Governance

Related GAO Work

- Highlight **high-risk federal programs** and operations and assess government-wide **management reforms**.
- Evaluate programs across government associated with key elements of the President's Management Agenda: **IT modernization**, leveraging **data**, and the federal **workforce**.
- Identify ways to improve federal **acquisition** of goods & services.
- Identify ways to improve the collection, dissemination, and quality of **federal information**.
- Identify ways to improve the administration and management of **grants** and other federal assistance across all levels of government.

Trend 8: Environment and Sustainability

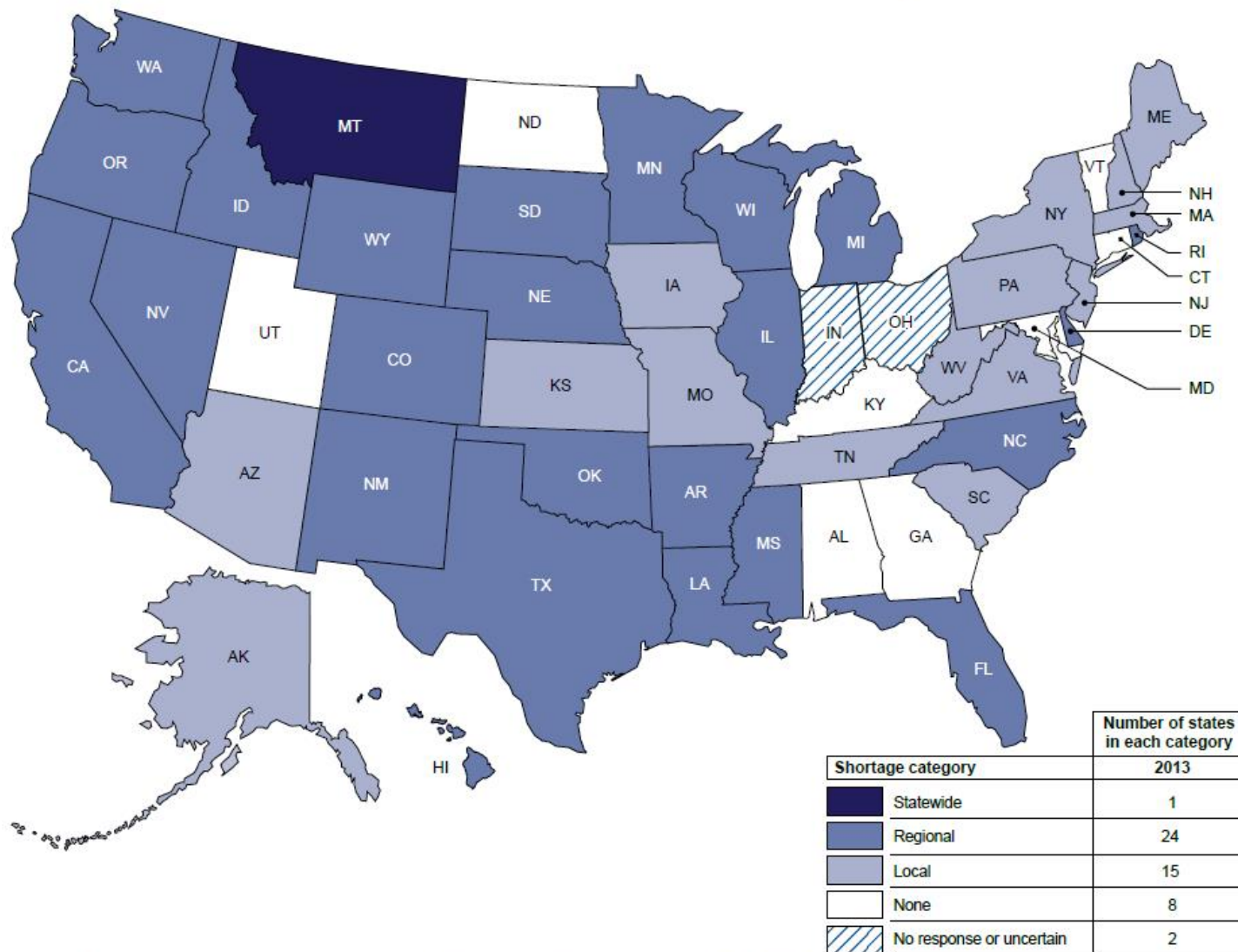
Total Reported U.S. Environmental Liability, FY 2016



Source: GAO analysis of the Financial Report of the U.S. Government, FY 2016.

Trend 8: Environment and Sustainability

State Water Shortages Likely Over The Next Decade Under Average Water Conditions, 2013



Sources: GAO analysis of state water managers' responses to GAO survey; Map Resources (map). | GAO-18-1SP

Trend 8: Environment and Sustainability

Related GAO Work

- Assess federal efforts to ensure affordable, reliable, and environmentally sound **energy**.
- Evaluate efforts to respond to **natural disasters**, including the 2017 wildfires and hurricanes Harvey, Irma, and Maria.
- Assess the cost, availability, and management of catastrophic **insurance** and **disaster loan programs**.
- Review federal strategies for sustainably managing the nation's **land and water resources**.
- Assess efforts to manage the federal government's **environmental liabilities**.
- Assess federal programs' ability to ensure a **safe food supply** and address **agricultural risks** and environmental impacts.

Yellow Book Revision Issued

- Yellow Book
 - 2018 Revision published on July 17
 - Revisions include updates on
 - Independence
 - Peer reviews
 - CPE
 - Focus of internal controls for performance audits
- Internal Control Tool (new)
 - Yellow Book will require auditors to consider internal controls
 - Planning to release tool in 2019

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