

GAO Highlights

Highlights of [GAO-13-752T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

To operate as effectively and efficiently as possible and to make difficult decisions to address the federal government's management and fiscal challenges, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and programs and for government as a whole. GAO is required to annually audit the consolidated financial statements of the U.S. government. In addition, GAO is required to periodically report on federal agencies' efforts to increase the use of performance information in government and to take a more crosscutting and integrated perspective on performance.

This testimony presents the results of GAO's recent audits and reviews related to (1) the U.S. government's consolidated financial statements for fiscal year 2012, and (2) executive branch implementation of key provisions of the GPRA Modernization Act of 2010.

What GAO Recommends

Over the years, GAO has made numerous recommendations directed at improving federal financial management. The federal government has generally taken or plans to take actions to address GAO's recommendations. GAO has also made numerous recommendations to OMB to more fully implement the GPRA Modernization Act of 2010. OMB staff agreed with these recommendations.

View [GAO-13-752T](#). For more information, contact Robert F. Dacey or Gary T. Engel at (202) 512-3406, or J. Christopher Mihm at (202) 512-6806.

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FINANCIAL AND PERFORMANCE MANAGEMENT

More Reliable and Complete Information Needed to Address Federal Management and Fiscal Challenges

What GAO Found

Three long-standing major impediments prevented GAO from expressing an opinion on the U.S. government's 2012 accrual-based consolidated financial statements: (1) serious financial management problems at the Department of Defense (DOD), (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government's ineffective process for preparing the consolidated financial statements. Also, GAO was prevented from expressing opinions on the 2012 social insurance-related statements because of significant uncertainties primarily related to the achievement of projected reductions in Medicare cost growth reflected in the statements.

DOD continues to work to address its financial management challenges with the goal of full financial statement auditability, but has much work to do if the department is to meet its audit readiness and financial management improvement goals. In addition, the Department of the Treasury, in coordination with the Office of Management and Budget (OMB), is taking actions to address issues related to intragovernmental activity and preparation of the consolidated financial statements, but additional efforts and sustained commitment are required to fully resolve these issues.

The *2012 Financial Report of the United States Government* included comprehensive long-term fiscal projections, which provide a much-needed perspective on the federal government's long-term fiscal position and outlook. These, like GAO's simulations, include the savings provided by the Budget Control Act of 2011, yet still show an unsustainable long-term fiscal path.

As GAO reported in June 2013, the executive branch has taken a number of steps to implement key provisions of the GPRA Modernization Act of 2010 (GPRAMA or the act), such as the development of interim cross-agency and agency-specific priority goals and use of data-driven quarterly performance reviews. However, the executive branch needs to do more to fully implement and leverage the act's provisions to address governance challenges in the following five areas: (1) OMB and agencies have made some progress addressing crosscutting issues, but are missing additional opportunities such as assessing the performance of tax expenditures; (2) while key performance management practices hold promise, ensuring performance information is useful and used by managers to improve results remains a weakness. For example, GAO found little improvement in federal managers' reported use of performance information or practices that could help promote its use, based on its periodic government-wide surveys of federal managers since 1997. Moreover, only 37 percent of managers reported that a program evaluation had been completed in the past 5 years of any program or operation they were involved in; (3) agencies have taken steps to align daily operations with agency results, but continue to face difficulties measuring performance in areas such as grants and contracts; (4) communication of performance information could better meet users' needs; and (5) agency performance information is not always useful for congressional decision making. GAO found little evidence that meaningful consultations occurred with Congress related to agency strategic plans and agency priority goals.