



GAO: Ensuring Accountability Through Financial Auditing and Much More

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Outline

I. The U.S. Government Accountability Office – What We Do

II. Our Impact

- Financial Benefits and Other Improvements
- Program and Operational Benefits: Public Safety and Security
- Action on Improper Payments
- The Long-Term Fiscal Outlook
- High Risk List
- Fragmentation, Overlap, and Duplication Reports
- Financial Management Over Time

III. GAO- Past and Present

- How We Got Here
- Where We're Headed

IV. The Importance of Public Service

What We Do

Support Congressional Oversight

- Mission: Support the Congress in meeting its constitutional responsibilities and help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Examine Federal Programs and Policies

- Work is based on congressional mandates and requests, and the Comptroller General's statutory authority.
- Strategic planning and ongoing dialogue with Congress inform work priorities.

Provide Oversight—Insight—Foresight

- With core values: accountability, integrity, reliability.

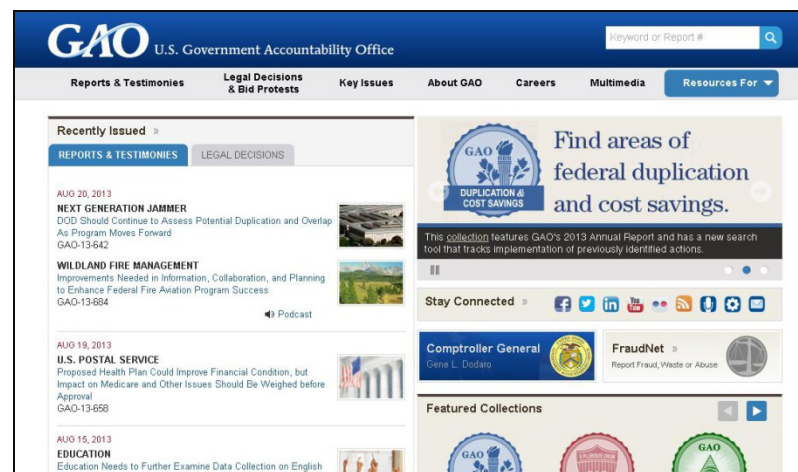
Improve Government Transparency

- Make government performance information more available.

What We Do

Examining Federal Programs and Policies

- GAO issues hundreds of reports and testimonies annually
- Broad range of federal programs and policies, domestic and international, such as:
 - Mortgage foreclosures
 - The debt limit
 - 401(K) plan fees
 - Wall Street Reform Act status
 - Drug shortages
 - Postal operations
 - Cybersecurity
 - Climate adaptation
 - Major weapon systems
 - Cell phone safety
 - Intelligent transportation systems
 - Virtual currencies
 - Health Care Act preparedness
 - Haiti reconstruction
 - Afghanistan drawdown
 - College textbook costs



What We Do

Improving Government Transparency

- Goal: Keeping policymakers and the public informed about government performance.
- We present our findings to Congress, and almost all GAO work is made publicly available and posted online.
- To reach wider audiences, GAO has an expanding presence on digital and social media, including:
 - Facebook
 - Twitter
 - Flickr
 - YouTube
 - Live streaming video web chats
 - Podcasts
 - iPhone and Android mobile applications

Our Impact

GAO Accomplishments in Fiscal Year 2012

Achievements included, among others:

- **\$55.8 billion** in financial benefits
- **1,440 improvements** in broad program and operational areas across government
- **159** congressional **testimonies**
- More than **1,800 new recommendations** made
- **80 percent** of recommendations GAO made were **implemented**

Our Impact

Examples of Major Financial Benefits in Fiscal Year 2012

GAO recommendations implemented by Congress or federal agencies led to:

- \$12.4 billion from legislated reductions in payments to Medicare Advantage plans
- \$8.0 billion from cancellation of NASA's Constellation program
- \$3.1 billion from cancellation of DOD plans to lengthen South Korea tours of duty
- \$4.5 billion from elimination of Ethanol Excise Tax Credit for Corn

Our Impact

Examples of Program and Operational Benefits: Public Safety and Security

Strengthening the Food and Drug Administration's (FDA) ability to protect public health by

- taking a more risk-based approach in selecting foreign drug establishments for inspections
- improving oversight of medical device recalls
- enhancing FDA's response to drug shortages

Addressing weaknesses in how agencies create and use the terrorist watchlist.

Our Impact

Action on Improper Payments

Since the 1990s, GAO has drawn attention to federal agency improper payments – payments that should not have been made or were made in an incorrect amount.

For fiscal year 2012, reported government-wide improper payments were estimated at \$108 billion and attributed to 75 programs at 18 agencies.

GAO's work led to legislation and Office of Management and Budget guidance to reduce improper payments. Agencies must now:

- carry out improper payment risk assessments
- use statistically valid estimation methodologies
- implement appropriate preventive and detective controls

GAO continues to review agencies' preventive strategies and conduct forensic audits, targeting audit selection based on program risk assessment.

Much of GAO's work focuses on Medicare and Medicaid programs, which accounted for 59 percent of government-wide improper payments in fiscal year 2012.

Our Impact

Long-Term Fiscal Outlook

The Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 help in the near term

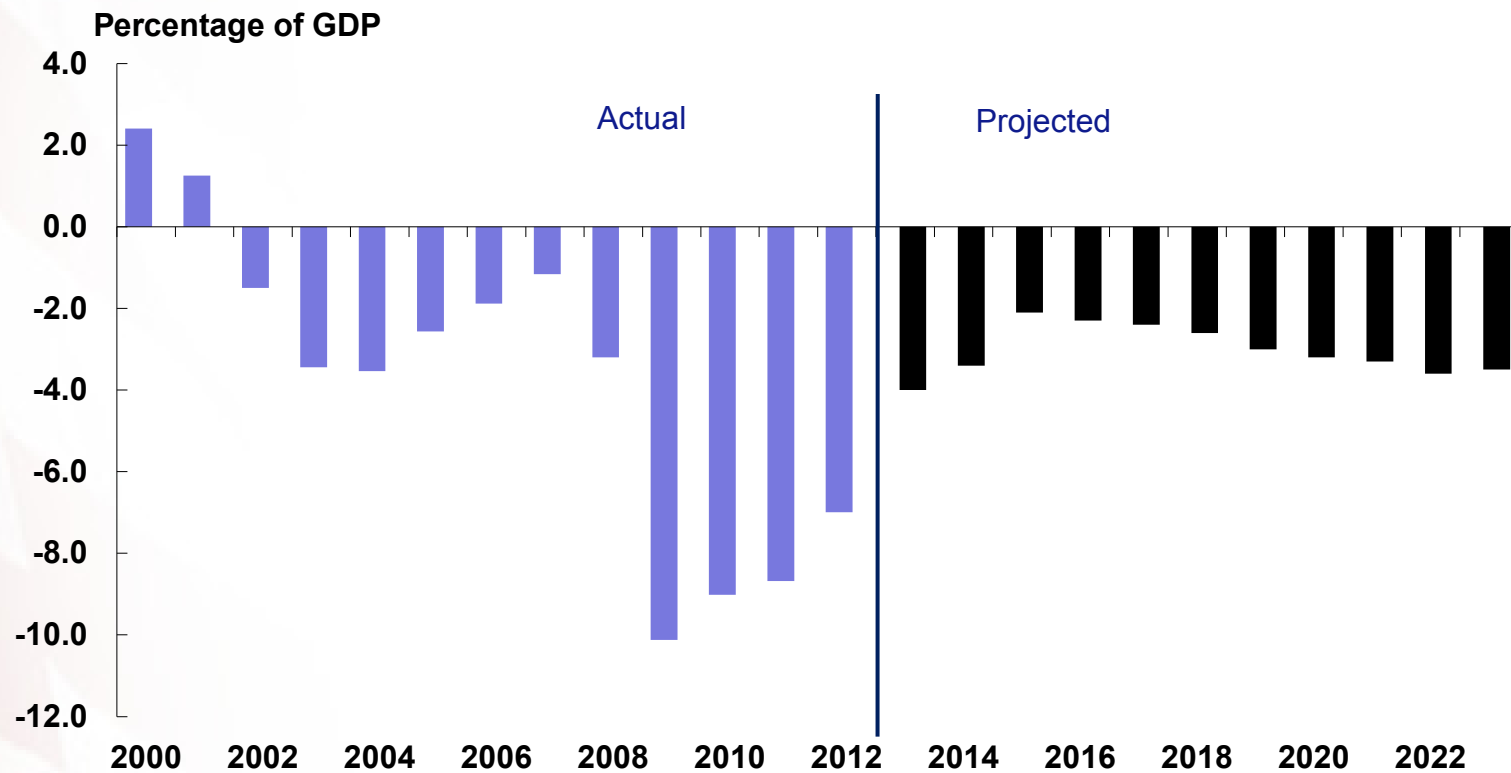
Currently face competing demands:

- Need to sustain economic growth
- Need for significant actions to change the long-term fiscal path

Long-term path is still unsustainable

- Imbalance between spending and revenues
- Spending side driven by demographics and health care cost growth

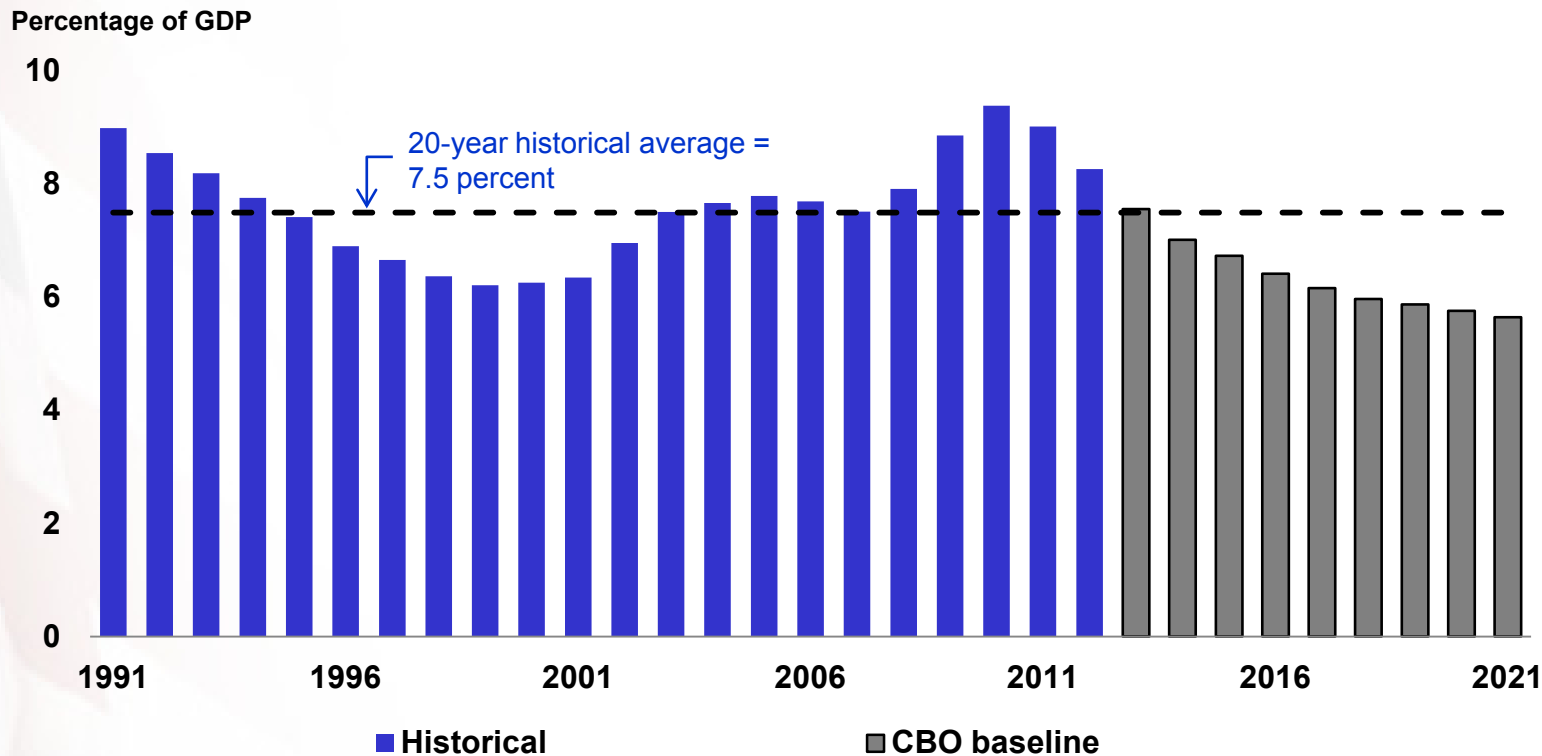
CBO's May 2013 Baseline



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

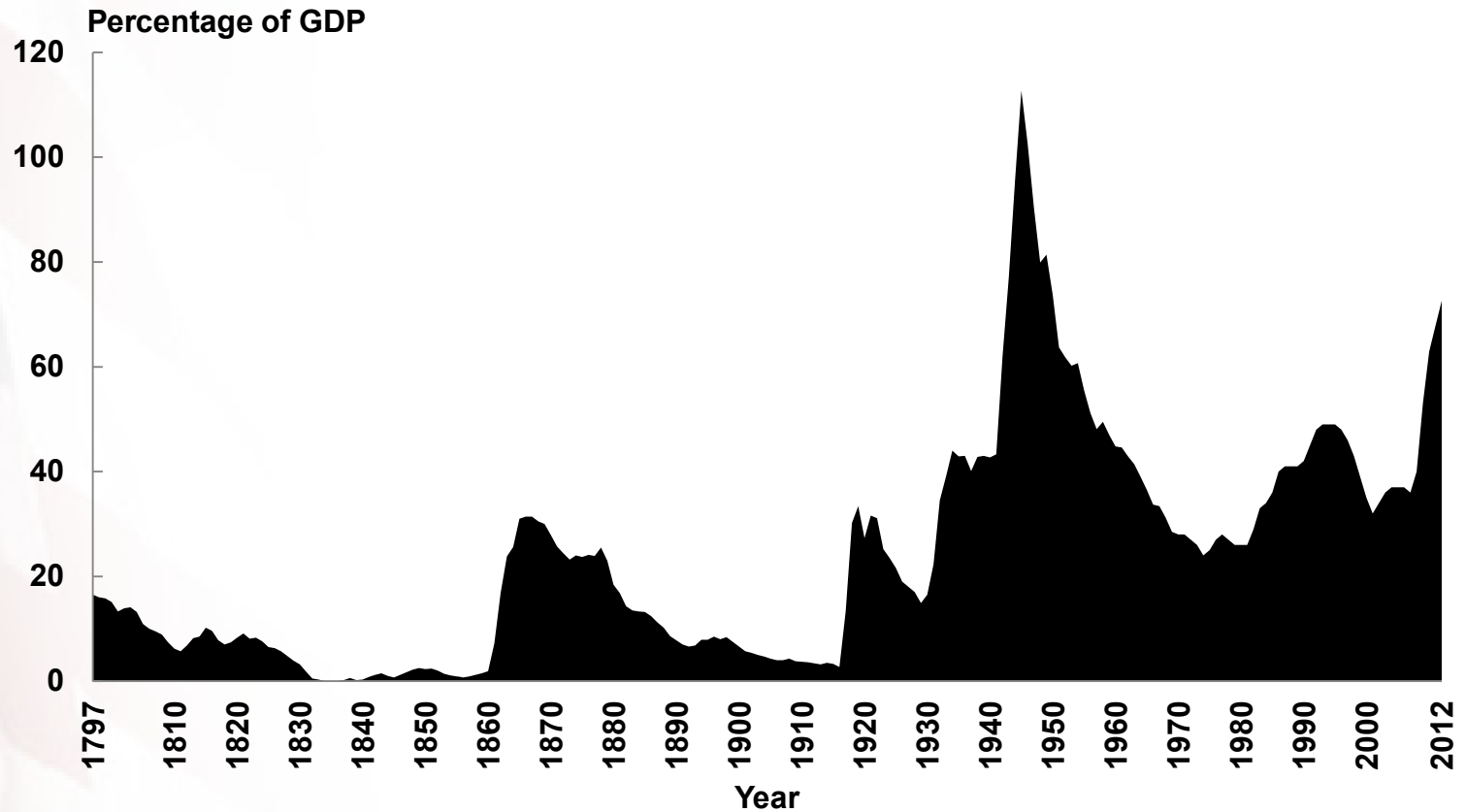
The Budget Control Act: Focus on Discretionary Spending

Discretionary Spending as a Share of GDP, 1991-2021



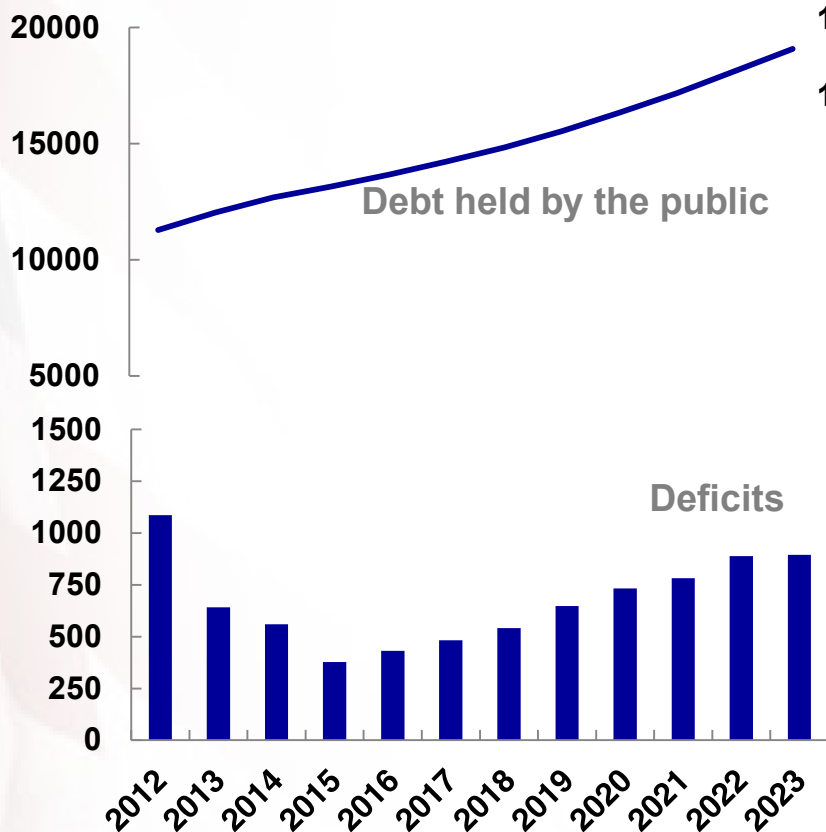
Source: GAO analysis of data from the Congressional Budget Office.

Federal Debt Held by the Public as a Share of GDP (1797-2012)

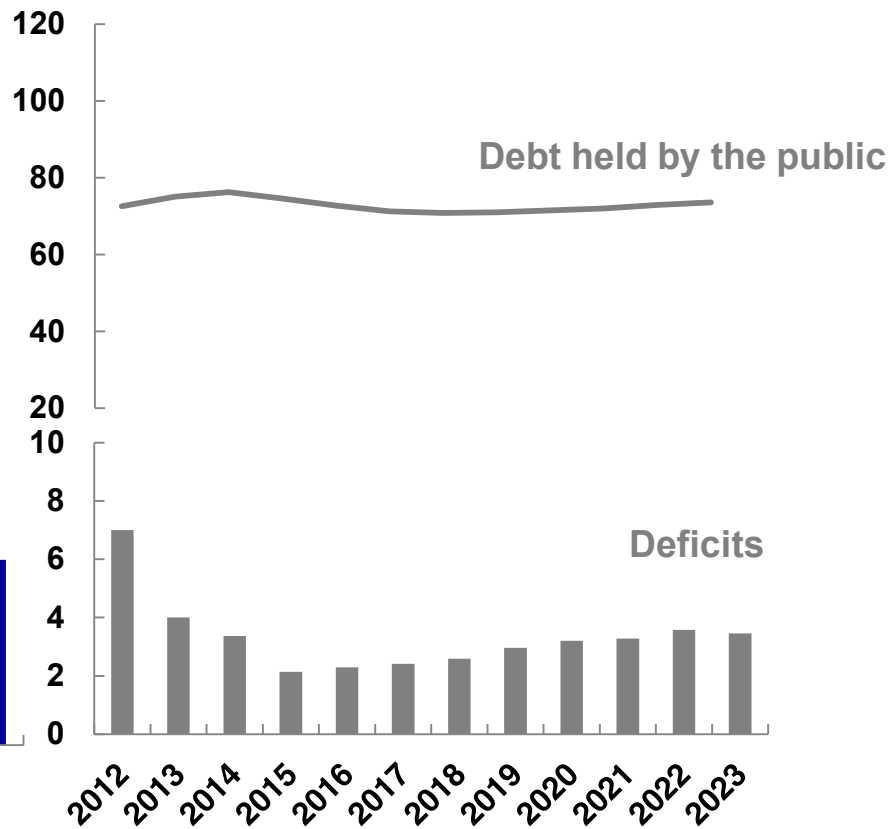


Deficits and Debt Held by the Public Under CBO's May 2013 Baseline

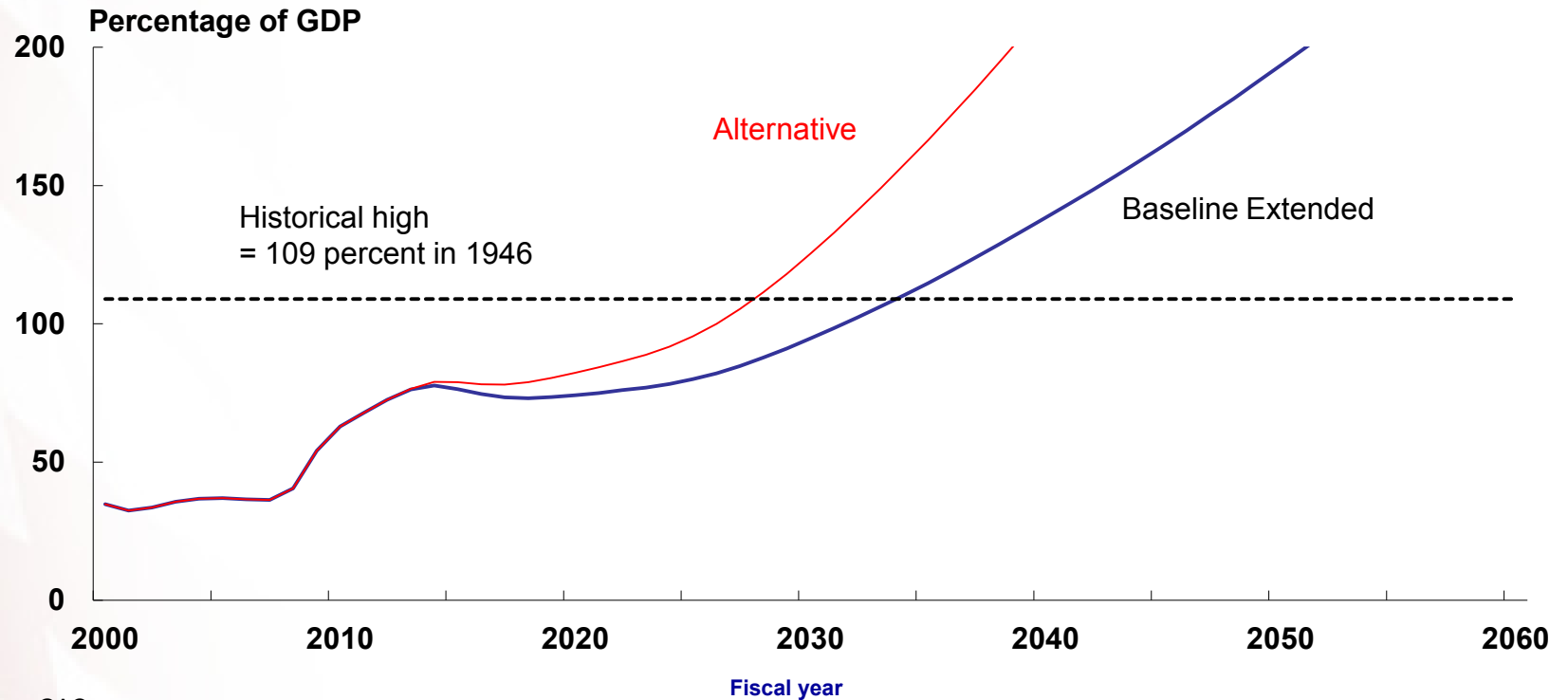
Billions of dollars



Percentage of GDP



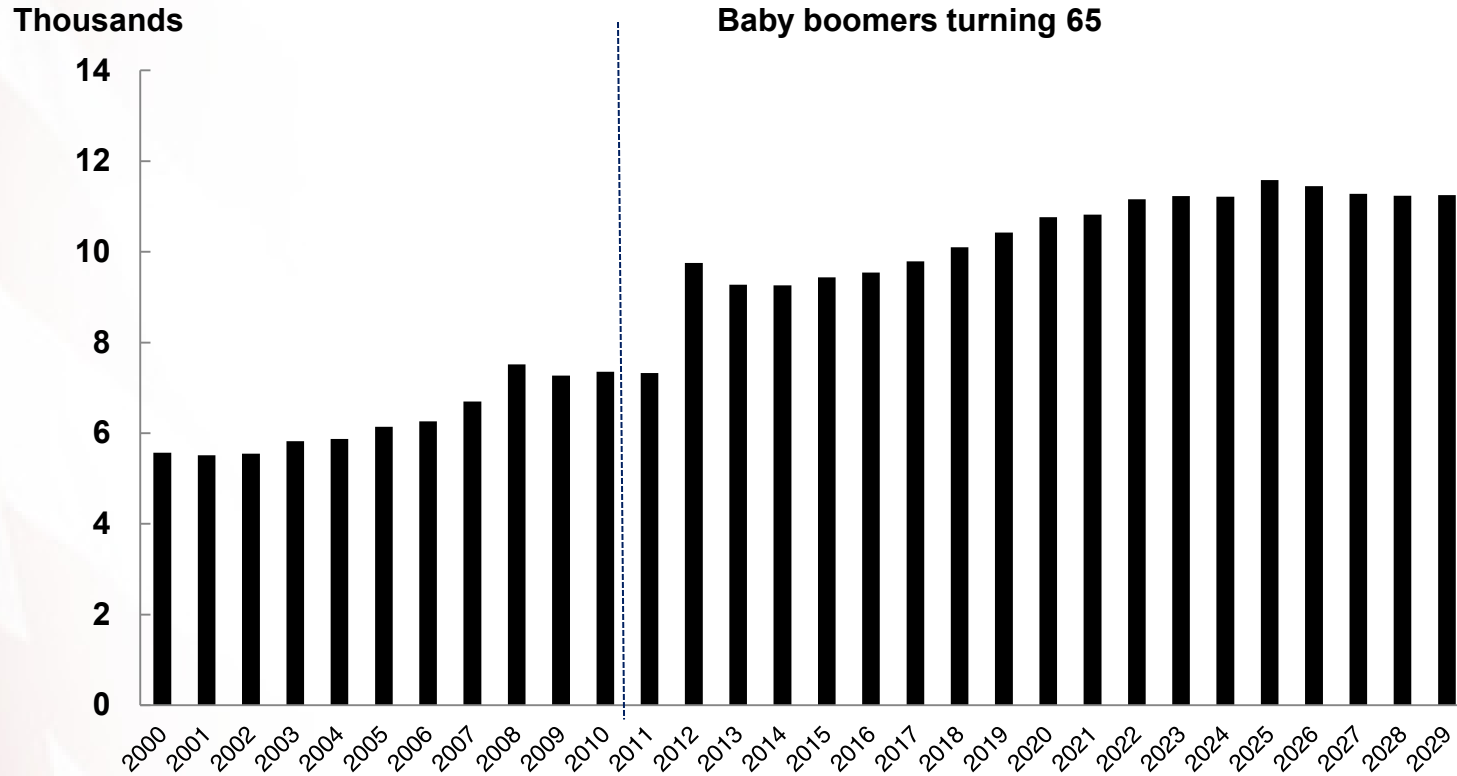
Debt Held by the Public Under Two Fiscal Policy Simulations



Source: GAO.

Note: Data are from GAO's Spring 2013 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's assumptions for Medicare.

Daily Average Number of People Turning 65 Each Year

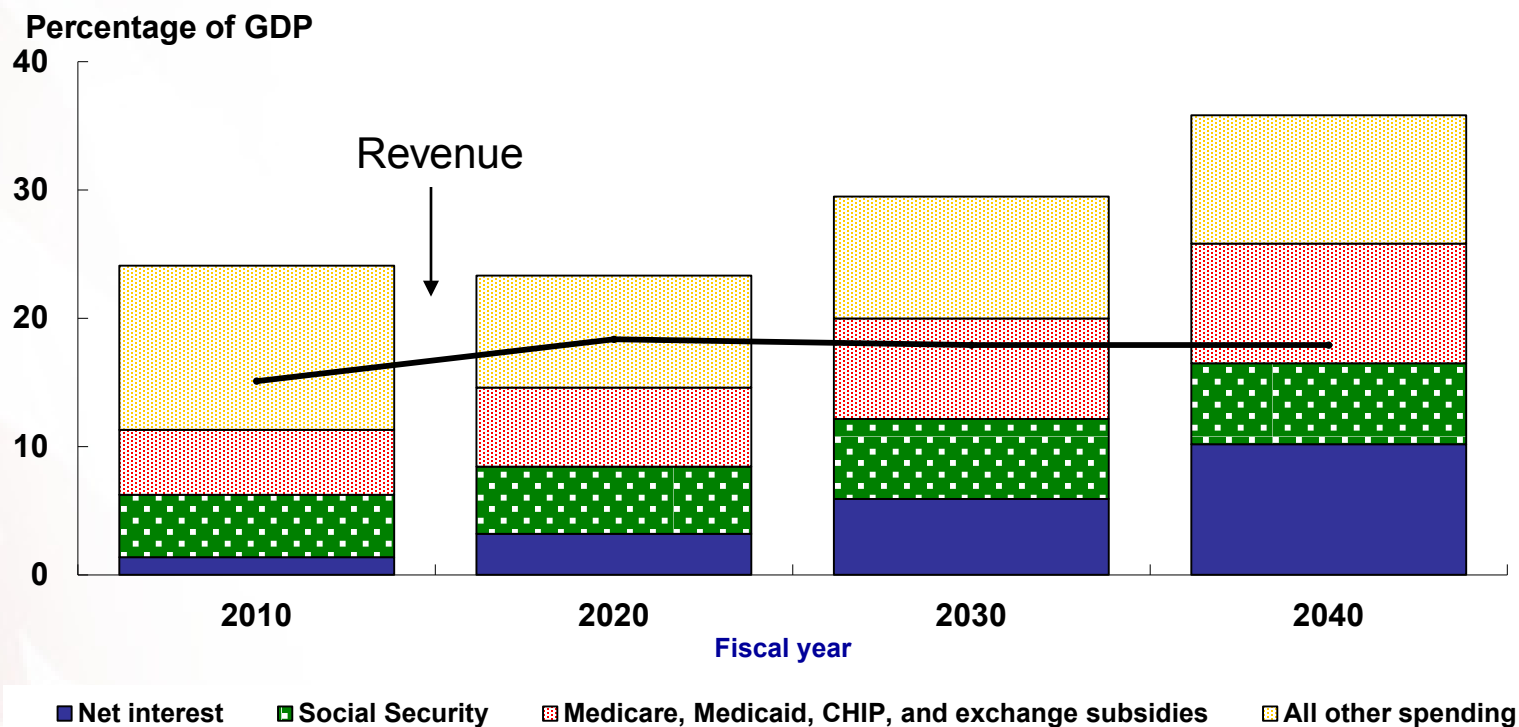


Source: GAO analysis of U.S. Census Bureau data.

Note: Based on years ending July 1.

Potential Fiscal Outcomes

Revenues and Composition of Spending in the Alternative Simulation



Source: GAO.

Note: Data are from GAO's Spring 2013 simulations based on the Trustees' assumptions for Social Security and CMS Actuary's assumptions for Medicare.

Our Impact

Debt Limit: What it Is and What it Isn't

Debt limit does not limit the ability to enact spending and tax laws; not a limit on running deficits or incurring obligations.

Debt limit is an after-the-fact measure: it imposes a limit on ability to pay obligations already incurred.

GAO analysis shows delays in raising debt limit have led to higher borrowing costs; delays in 2011—\$1.3 billion increase for the year.

Treasury uses extraordinary actions to manage near the debt limit: where provided for under law, principal and interest is restored; GAO tests this as part of its routine annual audit of federal debt.

We have suggested linking decisions about the debt limit with spending and revenue decisions that create debt—at the time those decisions are made.

Our Impact

Putting Every Tax Dollar to Good Use

In a time of budgetary constraints, GAO is providing Congress and the executive branch with information and analyses to help establish priorities, improve government efficiency, and link resources with results.

Bodies of GAO work focus specifically on efficiencies, cost savings, and revenue enhancement, such as:

- High Risk List
- Overlap and Duplication Reports
- Government Performance and Results Act (GPRA) and government financial reform
- Strategies to reduce the tax gap

Our Impact

Examples of High Risk Areas

- Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks (new in 2013)
- Mitigating Gaps in Weather Satellite Data (new in 2013)
- Funding the Nation's Surface Transportation System
- Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability
- Protecting Public Health through Enhanced Oversight of Medical Products
- Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance
- Enforcement of Tax Laws

Our Impact

Mandate for GAO Duplication Reviews

Requirement Enacted in 2010.

Reports issued in 2011, 2012, and 2013: identified 162 areas and about 380 suggested actions for executive branch agencies and Congress.

- Collectively, these reports show that the government could save tens of billions of dollars by addressing the issues we identified.

2013 report issued in April.

- Identified 31 new issues: 17 areas of fragmentation, overlap, and duplication and 14 areas of potential cost savings or revenue enhancement.
- Described status of issues identified in 2011 and 2012 reports and introduced *GAO's Action Tracker*.

We will continue to look for new or emerging instances of fragmentation, overlap, and duplication, as well as cost savings and revenue enhancement opportunities.

Our Impact

Examples of New 2013 Annual Duplication Report Areas

Areas of Fragmentation, Overlap, or Duplication	Cost Saving or Revenue Enhancement Opportunities
<ul style="list-style-type: none">• Fragmentation in DOD's acquisition of combat uniforms• Duplicative federal geospatial investments• Overlapping Department of Homeland Security research and development activities• Overlap and potential duplication in the delivery of joint veterans and defense health care services• Duplication among federal efforts to inspect catfish	<ul style="list-style-type: none">• Reducing the cost of the Federal Crop Insurance program by reducing subsidies• Cancelling the Medicare Advantage Quality Bonus Payment Demonstration• Reducing improper Medicaid Supplemental Payments through enhanced oversight• Reducing the cost of the government satellite program through innovative approaches

GAO's Impact on Financial Management Over Time

Our Financial Management and Assurance Team (FMA)

- More than 200 staff.
- Areas of expertise: financial audits, accounting and auditing standards, and financial analysis.

GAO's Impact on Financial Management Over Time

GAO is required to audit the U.S. government's annual consolidated financial statements (CFS), which are prepared by Treasury in coordination with OMB.

- First audit performed on the fiscal year 1997 CFS
- Past 16 audits, GAO has been prevented from expressing opinions on the accrual-based Consolidated Financial Statements, primarily due to limitations relating to certain long-term material weaknesses in internal control over financial reporting
- GAO was prevented from expressing opinions on the 2012 Statement of Social Insurance and Statement of Social Insurance Amounts because of significant uncertainties primarily related to the achievement of projected reductions in Medicare cost growth reflected in the statements
- GAO reported that material weaknesses resulted in ineffective internal control over financial reporting for fiscal year 2012
- GAO reported that testing of compliance with selected provisions of significant laws and regulations for fiscal year 2012 were limited by the material weaknesses and other scope limitations

GAO's Impact on Financial Management Over Time

U.S. Government's Consolidated Financial Statements – Progress in CFO Act Agencies' Audited Financial Statements

21 of the 24 Chief Financial Officer (CFO) Act agencies were able to attain unqualified audit opinions on their fiscal year 2012 accrual-based financial statements.

In contrast, only six CFO Act agencies received unqualified opinions for fiscal year 1996.

GAO's Impact on Financial Management Over Time

GAO also conducts other financial audits. Examples include:

- IRS's Financial Statements
- Bureau of the Public Debt's (now the Bureau of the Fiscal Service) Schedule of Federal Debt
- Office of Financial Stability's (Troubled Asset Relief Program) Financial Statements
- SEC's Financial Statements
- Federal Housing Finance Agency's Financial Statements
- Consumer Financial Protection Bureau's Financial Statements
- FDIC's Deposit Insurance Fund and Federal Savings and Loan Insurance Corporation Resolution Fund

GAO's Impact on Financial Management Over Time

Importance of Financial Statement Audits

The need for reliable, high-quality financial information has never been greater.

Financial statement audits are not just about numbers, but also provide a framework for

- Assessing and improving internal controls and compliance with laws and regulations.
- Developing effective, integrated financial management systems directed at providing reliable, useful, and timely information for decision making.
- Demonstrating stewardship and accountability over federal programs and resources.
- Enabling a greater focus on managing the costs of government.

GAO's Impact on Financial Management Over Time

Contributed to enactment of key financial management legislation

- Chief Financial Officer's Act (1990)
- Government Management Reform Act (1994)
- Accountability of Tax Dollars Act (2002)
- Federal Financial Management Improvement Act (1996)

Identified issues leading to enactment of legislation related to improper payments

Identified significant information security weaknesses, contributing to the passage of the Federal Information Security Management Act (2002)

Developed federal financial audit and information security audit methodologies

Contributed to the establishment of the federal financial accounting standards, through support of the Federal Accounting Standards Advisory Board

GAO's Impact on Financial Management Over Time

Auditing Standards – “Yellow Book”

GAO has a statutory role in issuing government auditing standards. Known as *Government Auditing Standards*, or the Yellow Book, GAO regularly revises those standards. Latest update came out at the end of 2011.

The Yellow Book provides:

- Broad statements of auditors' responsibilities
- An overall framework for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work
- Standards for financial audits and attestation engagements that incorporate and augment the AICPA standards (SASs and SSAEs)
- Stand-alone standards for performance audits

GAO staff also serves on various boards, such as the AICPA Auditing Standards Board and the Federal Accounting Standards Advisory Board, that are involved in standard setting.

GAO's Impact on Financial Management Over Time

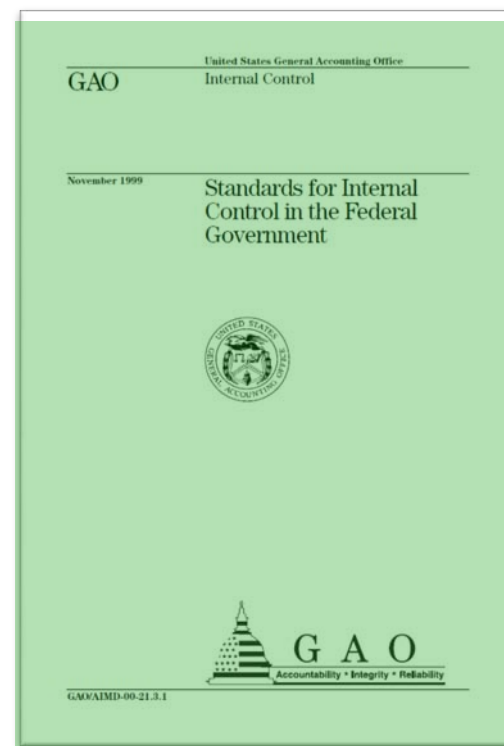
Internal Control Standards – “Green Book”

Sound internal control is vital to:

- Safeguarding government assets.
- Carrying out government programs and activities effectively and efficiently.
- Uncovering mistakes and fraud.

Current version issued in 1999.

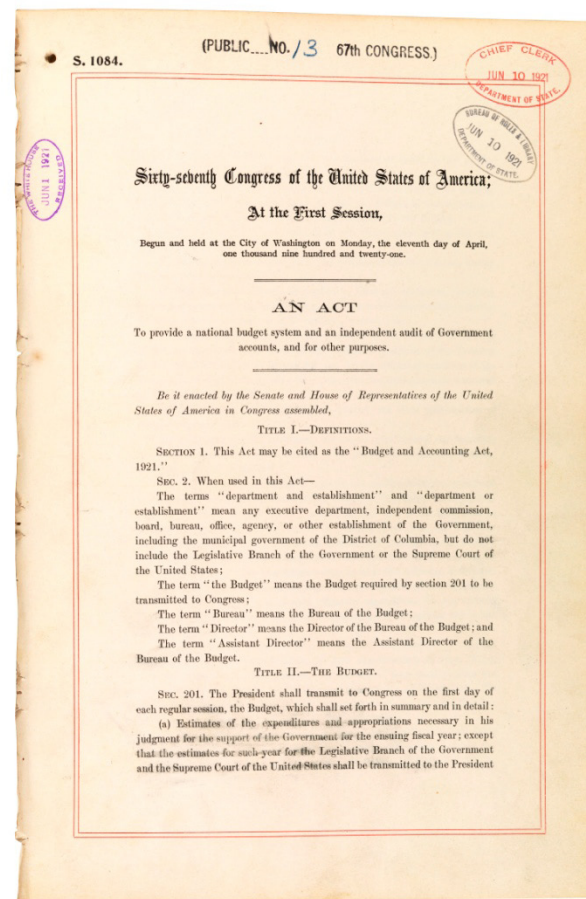
- GAO is revising the Green Book to reflect changing environment and new COSO framework.
- Exposure draft recently issued for public comment.



How We Got Here

GAO's Founding

The Budget and Accounting Act of 1921 established GAO as an independent agency.



Courtesy of the National Archives and Records Administration

How We Got Here

GAO's Evolution

- Initial focus was on voucher auditing.
- After World War II, a turn to financial audits.
- Program evaluations began in the 1960s.
- In the 1980s, established a team to investigate allegations of possible criminal and civil misconduct.



How We Got Here

Bringing GAO Into the Present

- In 2004, GAO changed its name from the **General Accounting Office** to the **Government Accountability Office** to reflect its modern role in government.
- Accounting is still part of our portfolio, but our new name better captures who we are and what we do today.
- GAO's diverse staff of just under 2,900 employees now includes accountants, economists, scientists, public policy analysts, attorneys, and computer experts. We also have issue-area experts in subjects ranging from foreign policy to health care.
- GAO is headquartered in Washington, DC, and has 11 offices across the country.



Where We're Headed

Strategic Plan for Serving Congress – A Roadmap for the Future

- GAO produces a 5-year plan to ensure the agency is able to anticipate and respond to congressional needs. The next one will be issued in 2014.
- The current Strategic Plan highlights eight broad trends that will guide GAO's future work:
 - (1) national security threats;
 - (2) fiscal sustainability and debt challenges;
 - (3) economic recovery and restored job growth;
 - (4) global interdependence;
 - (5) science and technology;
 - (6) networks and virtualization;
 - (7) shifting roles of government; and
 - (8) demographic and societal change.

Where We're Headed

New Roles for the Agency

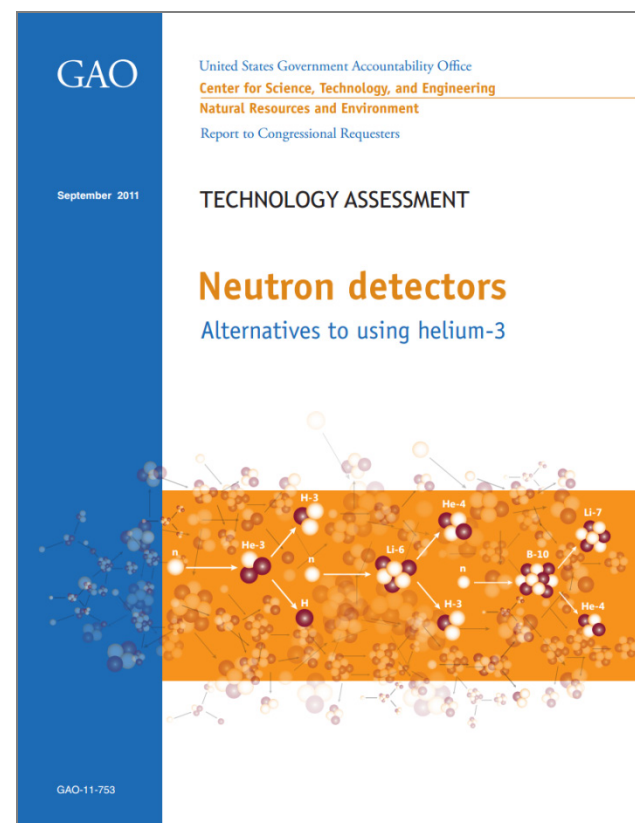
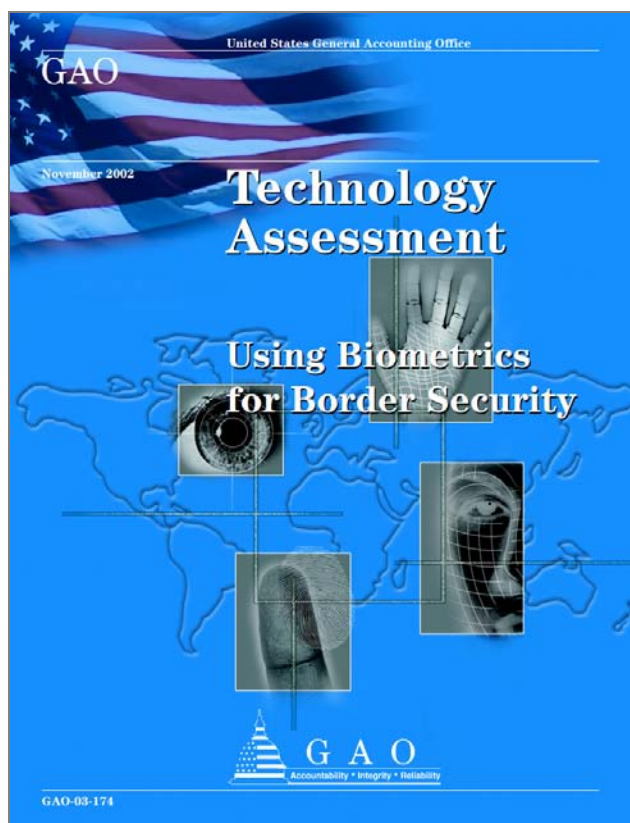
In recent years, GAO has played a key role overseeing spending under the Troubled Asset Relief Program and the Stimulus Act.

Going forward:

- new and ongoing responsibilities regarding the Federal Reserve.
- cost/benefit analysis of financial services regulations.
- appointments to various health care advisory commissions.
- technology assessments.

Where We're Headed

GAO's Technology Assessment Collection



Where We're Headed

Cutting-edge Ongoing Work in Science and Technology

- A Comptroller General Forum on **nanomanufacturing**.
- A **technology assessment** on freshwater **resource conservation technologies** for the energy sector.
- Evaluations of **technology development practices** within major departments and agencies, such as advanced imaging screening systems, large-format next generation radiation detection systems, and biosecurity technologies.
- A **Technology Readiness Assessment Guide**, the third in GAO's guide series to help federal agencies manage their programs.

Where We're Headed

Shaping the GAO of the Future

To ensure GAO remains an employer of choice, GAO is committed to:

- A diverse workforce and an inclusive work environment.
- A program of continuous improvement.
- Continuing to enhance our progressive work environment.
- Offering a wide range of benefits, such as a student loan repayment program.

Where We're Headed

Working Across Borders: The International Association of Supreme Audit Institutions (INTOSAI)

Represents the external government audit community.

- More than 190 members

Objectives:

- promote the development and transfer of knowledge;
- improve government auditing worldwide; and,
- enhance professional capacities, standing and influence of member SAIs in their respective countries.

GAO actively participates in INTOSAI leadership positions and plays an important role in developing international auditing standards and related guidance.

Where We're Headed

INTOSAI

Provides members a framework for public sector accounting world-wide:

- International standards, guidelines and best practices for financial, compliance and performance audits.

International Development Initiative (IDI): assists implementation

- Includes audit tools, training, a web-based knowledge sharing forum.

Donor Cooperation Initiative: promotes integrity and good government principles through support for developing country national audit offices

Specific INTOSAI projects include:

- Working Group on Financial Modernization and Regulatory Reform.
- Taskforce on Strategic Planning.
- Development of a Performance Measurement Framework tool.

The Importance of Public Service

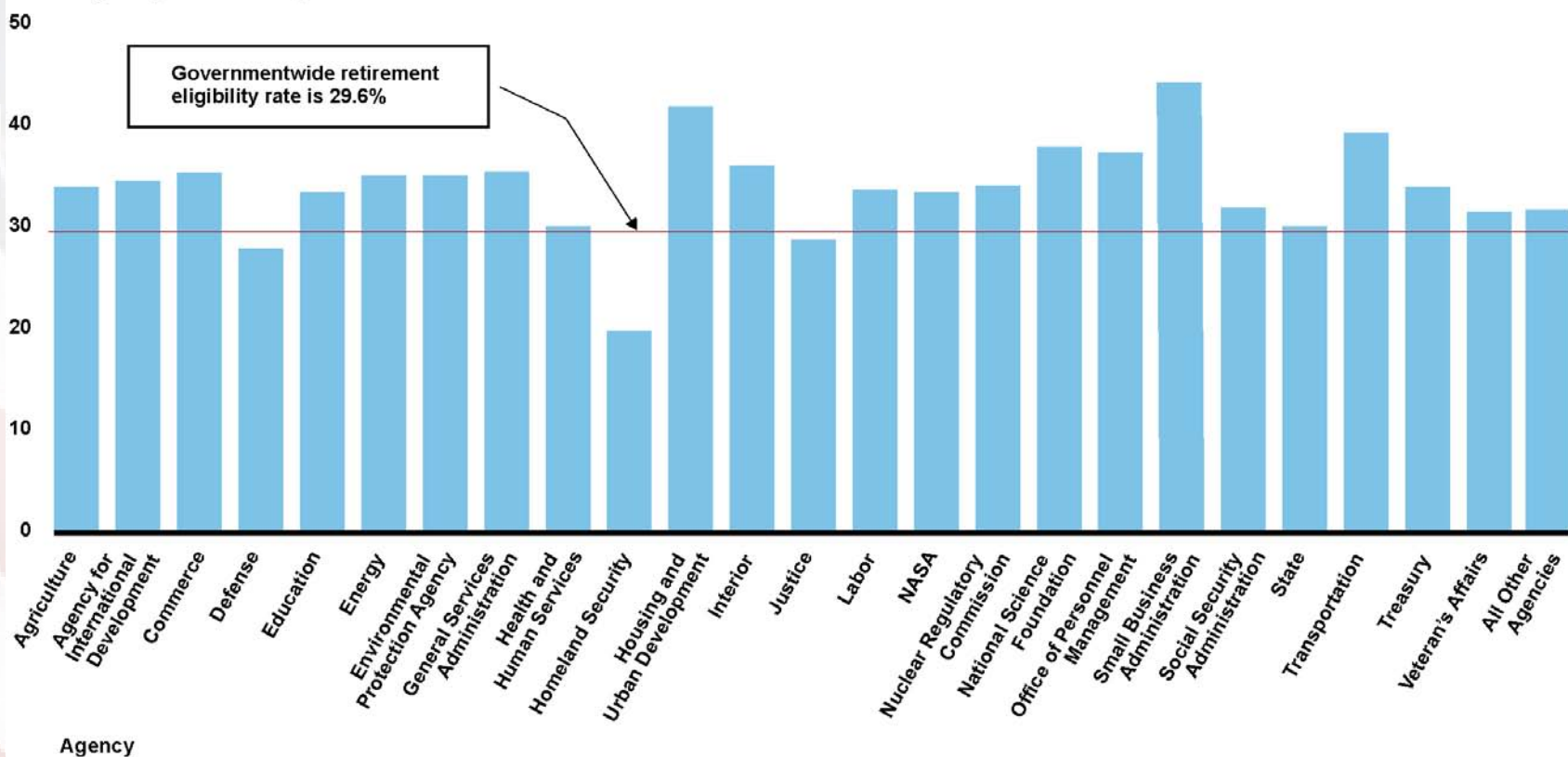
The Challenges Our Nation Faces

- Government needs talented people to help tackle the challenges we face.
- Large numbers of federal retirements expected in the coming years.

The Importance of Public Service

Agencies are Facing a Retirement Wave

Percentage eligible to retire by 2016



Source: GAO analysis of Office of Personnel Management data.

The Importance of Public Service

The Rewards of Public Service

- The public sector offers an opportunity to do important, challenging work.
- It's a chance to learn and develop professionally while making a difference for our country.
- As a career public servant, I know the many contributions that federal employees can and do make.
- At the end of the day, it's knowing you've been of service to others.



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