GAO: PROMOTING ACCOUNTABILITY AND TRANSPARENCY IN GOVERNMENT

Before Lycoming College
James Harding Executive Speaker
Williamsport, PA
March 23, 2009

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• About GAO

• Financial Markets and Economic Recovery

• Transition – New President and Congress

• Long Term Fiscal Outlook and Risks
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 Framework -- provide timely, quality service to the Congress and the federal government to:

- Address 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

- 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Outdated Regulatory System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

- 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
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

- 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
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     Slovakia
  Denmark    Korea     
Transition: Assisting The New Administration & The New Congress
Other Urgent Issues: Timely Action Is 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.

30 items grouped into four categories:

- **Broad-Based Transformation Challenges**
  (e.g., DOD, DHS, surface transportation, food safety oversight)

- **Federal Contracting**

- **Tax Law Administration**

- **Insurance and Benefit Programs**
  (e.g., Medicare, Medicaid, PBGC, flood insurance)
Latest High-Risk List Additions

- Modernizing the Outdated U.S. Financial Regulatory System
- Protecting Public Health through Enhanced Oversight of Medical Products
- Transforming EPA’s Processes for Assessing and Controlling Toxic Chemicals
THE VALUE OF PUBLIC SERVICE