GAO: PROMOTING ACCOUNTABILITY AND TRANSPARENCY IN GOVERNMENT

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7th Annual Spring Symposium
Auburn University
Auburn, Alabama
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Outline

• About GAO

• Financial Markets and Economic Recovery

• Transition—New President and Congress

• Long-Term Fiscal Outlook and Challenges to be Met
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.
GAO’s Strategic Plan ensures that Congress and the federal government receive timely, quality service. The plan seeks to:

- Highlight 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
Modernizing the U.S. Financial Regulatory System


- 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Outdated Regulatory System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
Financial Institutions and Markets

- 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
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
  Denmark   Korea     Slovakia
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: Oversight

- 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
American Recovery & Reinvestment Act

Source: GAO analysis.
Transition: Assisting The New Administration & The New Congress
Welcome to GAO

The U.S. Government Accountability Office (GAO) is known as "the investigative arm of Congress" and "the congressional watchdog." GAO supports the Congress in meeting its constitutional responsibilities and helps improve the performance and accountability of the federal government for the benefit of the American people. Read More About GAO

Recently Issued Products

Recently released reports and testimonies are listed below. Our congressional requesters may hold reports up to 30 days before making them publicly available, so some may have earlier issue dates.

Go to the Reports & Testimonies Page

March 31, 2009

Review of Special Counsel Expenses for 6 Months Ended September 30, 2008
GAO-09-357R, March 31, 2009
Summary (HTML) Full Report (PDF, 6 pages)

Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues
GAO-09-204, March 31, 2009
Summary (HTML) Full Report (PDF, 100 pages)

Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues
GAO-09-539T, March 31, 2009
Summary (HTML) Full Report (PDF, 16 pages)

March 30, 2009

Defence Acquisitions: Assessments of Selected Weapon Programs

GAO-09-572CG
Following the Money: GAO’s Oversight of the Recovery Act

The American Recovery and Reinvestment Act, also known as the stimulus bill, is a $787 billion plan intended to address the economic challenges facing our nation. The act tasks GAO with a range of responsibilities to help promote accountability and transparency and ensure that these funds are used as specified. Among other efforts, GAO will be:

- conducting bimonthly reviews on how funds are used by selected states and localities;
- reviewing specific areas, such as trade, education, small business, and health care, and
- commenting on reports filed by fund recipients.

GAO’s oversight work on the Recovery Act will be published on this Web site. Please check back regularly for updated information.

Bimonthly Reviews

GAO’s bimonthly reviews will examine how Recovery Act funds are being spent and whether they are achieving the act’s goals.

- The reviews will focus on 16 states and the District of Columbia, which contain about 63 percent of the U.S. population and are estimated to receive about two-thirds of the intergovernmental grants funds available through the Recovery Act.
- A sampling of how localities are using the funds will also be included.
- The first review will be completed in April 2009.

Other GAO Mandates

Other mandated GAO responsibilities relate to specific areas, including education, health care, small business, trade, and assessments of state needs during economic downturns. In addition, GAO is charged with:

- making 13 appointments to the Health Information Technology Policy Committee by April 3, 2009; and
- reporting, by April 30, 2009, on the Small Business Administration’s (SBA) efforts to, among other things, increase liquidity in the secondary market for SBA loans.

"GAO welcomes the responsibility that Congress has placed on us to assist in the oversight, accountability, and transparency of the Recovery Act."

– Gene Dodaro, Acting Comptroller General of the United States

Contact Info

For any questions or comments regarding this Web site, please call GAO at (202) 512-3000 or e-mail contact@gao.gov.
Serving the Congress and the Nation

Following each presidential election, GAO serves as a resource to assist with the transition to a new Congress and administration. On this Web site, using its institutional knowledge and broad-based, nonpartisan work on matters across the government spectrum, GAO provides insight into, and recommendations for addressing, the nation’s major issues, risks, and challenges. Also located throughout the site are key reports for further research, as well as contact information for and video messages from GAO experts.

Urgent Issues

A number of pressing issues demand urgent attention and continuing oversight to ensure the nation’s security and well-being.

Agency-by-Agency Issues

Each agency faces a range of distinctive major challenges affecting its mission, budget, and programs.

Management Challenges Across the Government

Agencies share a number of management challenges to improve operational efficiency and effectiveness and address current and emerging demands. These challenges must be addressed to effectively and efficiently implement new policy and program initiatives.

Major Cost-Saving Opportunities

A number of opportunities exist to limit costs and reduce waste across agencies and programs.

Upcoming Reports on Major Issues

Examples of upcoming GAO work on major national issues confronting the 111th Congress and the new administration.

Long-Term Fiscal Outlook

Given the federal government’s long-term fiscal challenges, consideration should be given to an array of efforts to address the growing imbalance between expected spending and tax revenues.

Working with GAO

GAO supports Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Recent updates

- DOL > Assist Workers Who Have Lost Their Jobs: new section and reports added (1/30)
- DHS > Implementing and Transforming DHS: new content, second bullet item and one report added GAO-09-271

urgent Issues

- Financial Institutions and Markets
- Iraq, Afghanistan, and Pakistan
- Protecting the Homeland
- Defense Spending
- Improving U.S. Image Abroad
- The 2010 Census
- Care for Service Members
- Preparing for Public Health Emergencies
- Food Safety
- Surface Transportation
Other Urgent Issues: Timely Action 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
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

Fiscal year

Percent of GDP

Source: GAO January 2009 analysis.

Federal surplus/deficit is from GAO’s Alternative Simulation using the Trustees’ assumptions.

Federal Surplus/Deficit

Combined Surplus/Deficit
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.

Growth in Health Care Spending:
Cumulative Growth in Real Health Care Spending Per Capita and Real GDP Per Capita, 1960-2007

Percentage

Health Care:
Average annual growth rate of 4.7%

GDP:
Average annual growth rate of 2.2%

Source: GAO analysis of data from the Centers for Medicare & Medicaid Services, Office of the Actuary, and the Bureau of Economic Analysis.

Note: The most current data available on health care spending per capita are for 2007.
Department of Health and Human Services

The Department of Health and Human Services (HHS) mission is to protect the health of Americans and provide essential human services, especially for vulnerable populations. To support its mission, HHS's 11 agencies manage more than 300 federal health and social programs, which accounted for almost a quarter of all federal outlays in 2008. Those agencies and programs including the following:

- The Centers for Medicare & Medicaid Services (CMS) administers the largest two programs — Medicare and Medicaid, which provide health insurance for one in four Americans.
- The Food and Drug Administration (FDA) is responsible for ensuring the safety and efficacy of pharmaceuticals, biological products, and medical devices marketed in the United States and for overseeing about 80 percent of the nation's food supply.
- The Centers for Disease Control and Prevention (CDC) works to strengthen the nation's preparedness for public health emergencies, such as an influenza pandemic and bioterrorism.
- The Administration for Children and Families (ACF) administers 60 programs for children, families, and communities, including Head Start and Temporary Assistance for Needy Families (TANF).

HHS's agencies face numerous management challenges, including the following:

- Growth in Medicare expenditures places pressure on CMS to develop payment reforms to control spending while promoting improved quality.
- CMS faces challenges to improve management of Medicare and Medicaid, while difficulties in ensuring the integrity of their payments undermine CMS's efforts to curb outlays in these high-risk programs.
- CMS has had challenges overseeing patient care and safety in nursing homes and hospitals.
- Due to weaknesses in agency capacity and data, FDA has had difficulties in overseeing the safety and efficacy of medical products, and limitations in strategic planning have hampered its food-safety efforts.
- HHS's efforts to strengthen preparedness for public health emergencies have been hampered by shortages in the public health workforce.
- HHS faces challenges to oversee programs that target the well-being and economic independence of children and families. In particular, given that these programs are generally administered by states and grantees, HHS is challenged to balance the quality of services, program participation, and the integrity of these programs—which is especially critical given the potential for rising numbers of applicants and the needs of vulnerable individuals in light of recent declining economic conditions and job losses.
Social Security

- Important program in need of change:
  - Provides retirement benefits to millions of individuals and families.
  - Provides benefits to survivors, other dependents, and disabled workers.
  - Faces significant and growing long-term financing shortfall.
Percentage of Elderly Households Receiving Each Type of Income

Cash Flow and Trust Fund Balances in the Combined Social Security Trust Fund

Billions of 2008 dollars

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<th>Calendar year</th>
<th>Cash flow</th>
<th>Trust fund balance</th>
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Cash deficits begin in 2017, and trust fund exhausted in 2041.

Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration.

Note: Projections based on the intermediate assumptions of the 2008 Trustees’ Report. The CPI is used to adjust from current to constant dollars.
Addressing long-term fiscal imbalance will require changes in federal spending and tax policies.

![Graph showing fiscal year and percent of GDP for different categories of spending and revenue]

**Source:** GAO's March 2009 analysis based on the Trustees' assumptions for Social Security and Medicare.

**Notes:** Discretionary spending other than stimulus provisions grows with GDP after 2009; stimulus provisions are assumed to be temporary. Expiring tax provisions are extended, except for expiring provisions enacted in the Recovery Act. After 2019, revenue as a share of GDP is brought to its 40-year historical average of 18.3 percent of GDP plus expected revenues from deferred taxes, (i.e. taxes on withdrawals from retirement accounts). Medicare spending is adjusted based on the assumption that physician payments are not reduced as specified under current law.
Tax Issues

- Narrowing the tax gap
- Reviewing tax expenditures
- Weighing tax reform