



**Reports & Testimonies**

**Bid Protests & Appropriations Law**

**Key Issues**

**About GAO**

**Multimedia**

## Comptroller General's Perspective on Current and Emerging Issues

Comptroller General's Perspective on Current and Emerging Issues

Overview

Strategic Plan

GAO's Work for the Congress

INTOSAI The International Organization of Supreme Audit Institutions Draft Strategic Plan 2004 to 2009 Mutual Experience Benefits All

GAO High-Risk Program

Identifying High Risk in Government Programs

Areas Removed from GAO's High-Risk List, 1990 to 2003

GAO's High-Risk List

Composition of Federal Spending By Budget Function

Composition of Spending as a Share of GDP Under Baseline Extended (Assuming Discretionary Spending Grows with Inflation through 2013 and the 2001 Tax Cuts Do Sunset)

Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2003 and the 2001 Tax Cuts Do Sunset

Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP After 2003, the 2001 Tax Cuts Do Not Sunset, and Social Security Benefits Payable After 2041

Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP After 2003 and the 2001 Tax Cuts Do Not Sunset

Transformation

Transformation continued

The Case of Change

The Case of Change continued

Transformation: A New Model for Government Organizations

Transformation has Different Dimensions

Transformation Challenges To Improve Corporate Governance

Key Concepts in the Accountability Profession

Selected Government Accountability Issues Leading by Example

Independence: The Yellow Book

New Independence Standards

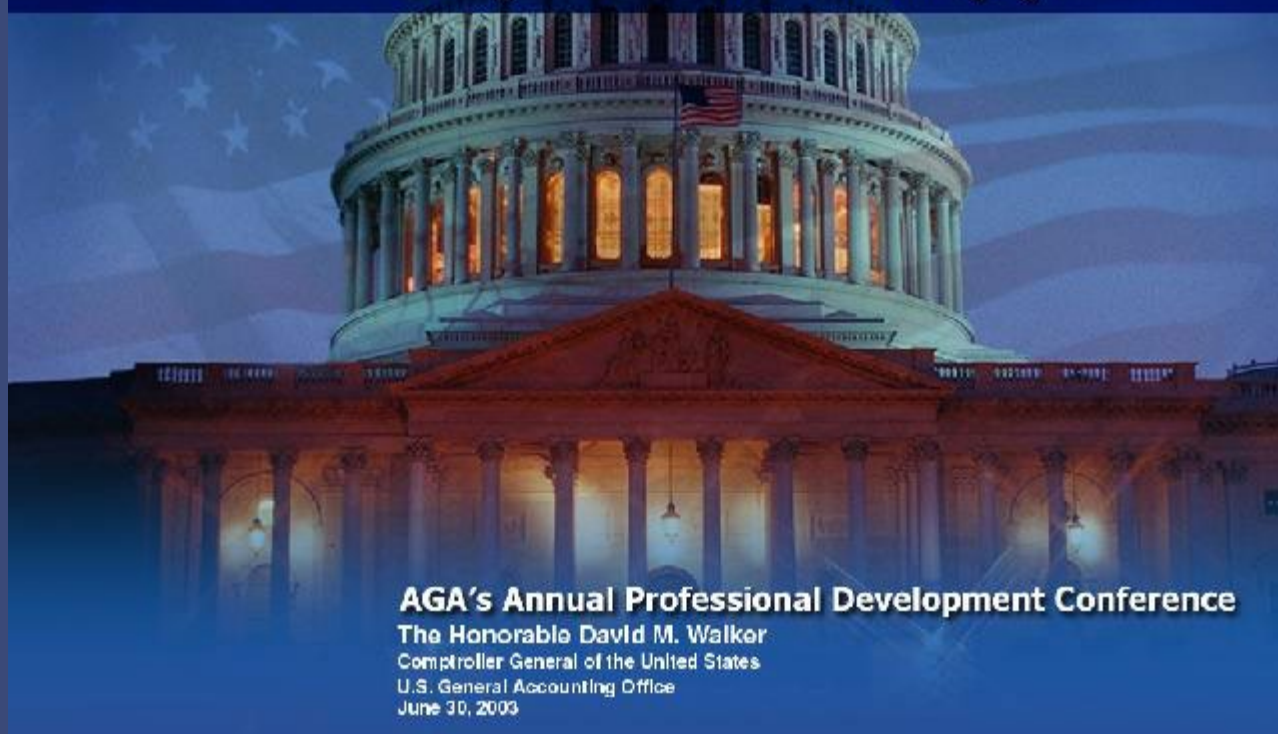
Key National Indicators for Assessing the Nation's Position and Progress

Key National Indicators for Assessing the Nation's Position and Progress continued

Comptroller General's Perspective on Current and Emerging Issues



# *Comptroller General's* Perspective on Current and Emerging Issues



## **AGA's Annual Professional Development Conference**

**The Honorable David M. Walker**  
Comptroller General of the United States  
U.S. General Accounting Office  
June 30, 2003



# Overview

- Strategic Planning Frameworks
- GAO's High Risk List for 2003
- Government Transformation
- Accountability Profession and Corporate Governance
- Key National Performance Indicators



# Strategic Plan

## SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK



### MISSION

GAO exists to support the 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.





# GAO's Work for the Congress

## Selected Topics

- Food Safety
- Performance-Based Budgeting
- Military Transformation
- School Vouchers
- Restructured Energy Markets
- Securities Regulation
- Election Reform
- Information Security
- FBI Reorganization
- Nursing Homes
- Space Station
- Homeland Security
- Private Pensions
- Social Security
- Prescription Drugs
- Aviation Safety
- Welfare Reform
- Army Readiness
- Water Quality
- Nuclear Waste
- Export Controls
- Tax Administration
- Drug Control
- Postal Transformation
- Corporate Governance and Auditing Failures





# INTOSAI

## The International Organization of Supreme Audit Institutions

### Draft Strategic Plan 2004 to 2009

#### Mutual Experience Benefits All

#### Mission

INTOSAI is an autonomous, independent, professional, and non-political organization established to provide mutual support, foster the exchange of ideas, knowledge, and experiences, act as a recognized voice of SAIs within the international community, and promote continuous improvement amongst a diverse range of member supreme audit institutions (SAIs).

#### Vision

Promote good government by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, and foster the efficient and effective receipt and use of public resources for the benefit of their citizens

#### Strategic Goals

Promote strong, independent, and multidisciplinary SAIs by  
(1) encouraging SAIs to lead by example  
(2) contributing to the development and adoption of appropriate and effective professional standards.

Build the capabilities and professional capacities of SAI through training, technical assistance, and other development activities.

Encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including benchmarking, best practice studies and research on issues of mutual interest and concern.

#### Core Values

Independence Inclusionness Integrity Professionalism Cooperation Credibility Innovation



## GAO High-Risk Program

- Started in 1990 with focus on fraud, waste, abuse, and mismanagement
- Evolved to include major economy, efficiency, effectiveness, and transformation challenges
- Updates issued at the start of each new Congress



# Identifying High Risk in Government Programs

## Risk is seriously detrimental to

Health or safety  
Service delivery  
National security  
National defense  
Economic growth  
Privacy or citizens' rights

## Risk could result in

Significantly impaired service or program failure  
Significantly reduced effectiveness or reduced efficiency  
Injury or loss of life  
Unreliable decision-making data  
Reduced confidence in government  
Unauthorized disclosure, manipulation or misuse of sensitive information

**Quantitative threshold:** \$1 billion in assets or revenues must be at risk.





## Areas Removed from GAO's High-Risk List, 1990 to 2003

Area	Year designated high risk	Year removed
Pension Benefit Guaranty Corporation	1990	1995
State Department Management of Overseas Real Property	1990	1995
Federal Transit Administration Grant Management	1990	1995
Bank Insurance Fund	1991	1995
Resolution Trust Corporation	1990	1995
Customs Service Financial Management	1991	1999
The Year 2000 Computing Challenge	1997	2001
The 2000 Census	1997	2001
Superfund Program	1990	2001
Farm Loan Programs	1990	2001
National Weather Service Modernization	1995	2001
Supplemental Security Income	1997	2003
Asset Forfeiture Programs	1990	2003

Source: GAO.



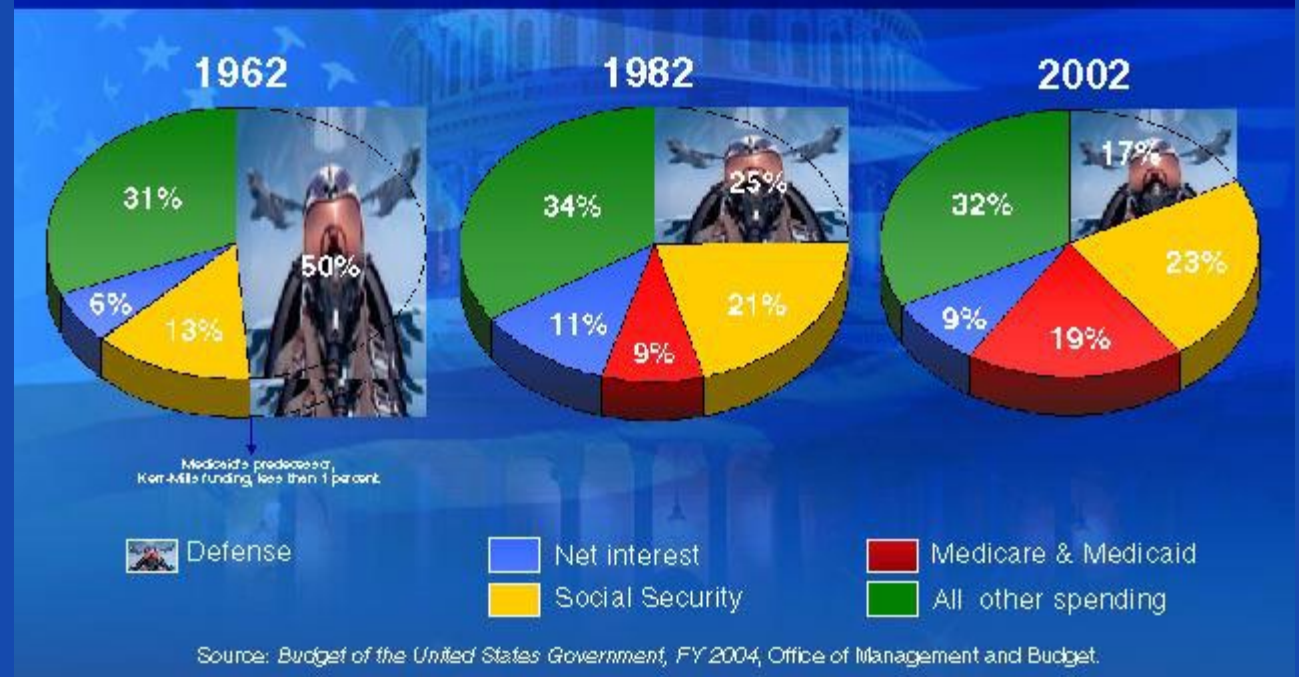
# GAO's High-Risk List

High-Risk Areas	Year Designated High Risk
<b>Addressing Challenges in Broad-based Transformations</b>	
Protecting Information Systems Supporting the Federal Government and The Nation's Critical Infrastructures	1997
Strategic Human Capital Management <sup>^</sup>	2001
U.S. Postal Service Transformation Efforts and Long-Term Outlook <sup>^</sup>	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs <sup>^</sup>	2003
Federal Real Property <sup>^</sup>	2003
<b>Ensuring Major Technology Investments Improve Services</b>	
FAA Air Traffic Control Modernization	1995
IRS Business Systems Modernization	1995
DOD Systems Modernization	1995
<b>Providing Basic Financial Accountability</b>	
DOD Financial Management	1995
IRS Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
<b>Reducing Inordinate Program Management Risks</b>	
Medicare Program <sup>^</sup>	1990
Collection of Unpaid Taxes	1990
DOD Inventory Management	1990
Student Financial Aid Programs	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Earned Income Credit Noncompliance	1995
DOD Support Infrastructure Management	1997
Medicaid Program <sup>^</sup>	2003
<b>Managing Large Procurement Operations More Efficiently</b>	
DOD Weapon Systems Acquisition	1990
Department of Energy Contract Management	1990
NASA Contract Management	1990
DOD Contract Management	1992

<sup>^</sup> Additional authorizing legislation is likely to be required as one element of addressing this high-risk area.



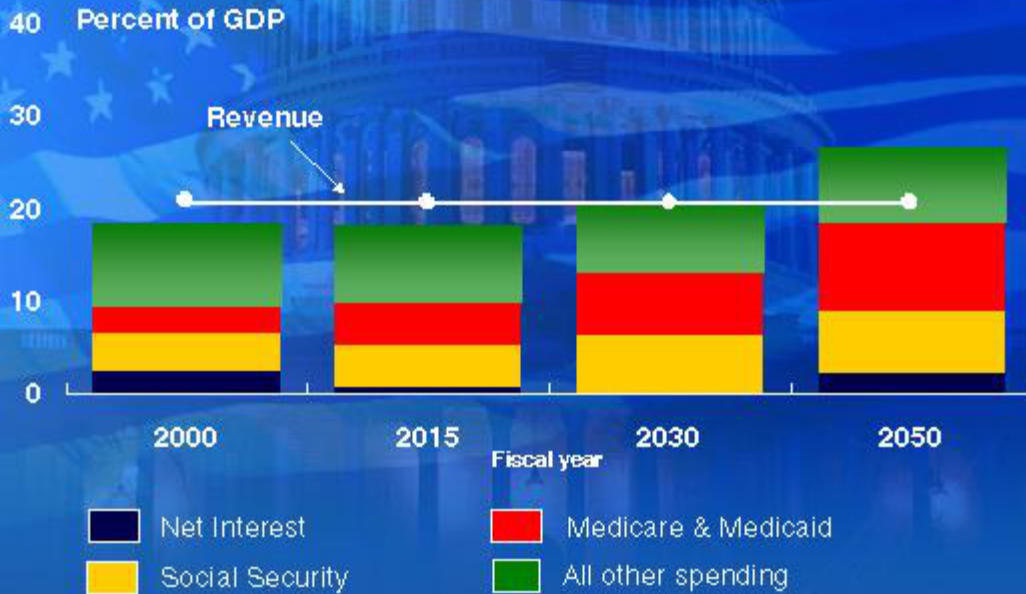
# Composition of Federal Spending By Budget Function







### Composition of Spending as a Share of GDP Under Baseline Extended (Assuming Discretionary Spending Grows with Inflation through 2013 and the 2001 Tax Cuts Do Sunset)

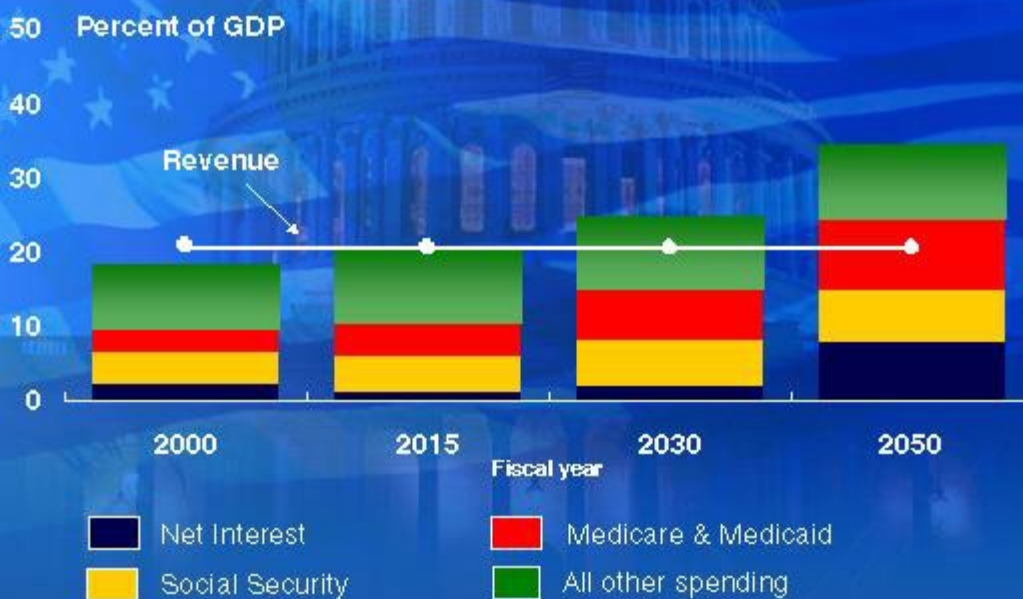


Note: Assumes the 2001 tax cuts sunset as scheduled, discretionary spending grows with inflation through 2013 and GDP thereafter, and currently scheduled Social Security benefits are paid in full throughout the simulation period.  
Source: GAO's March 2003 analysis.





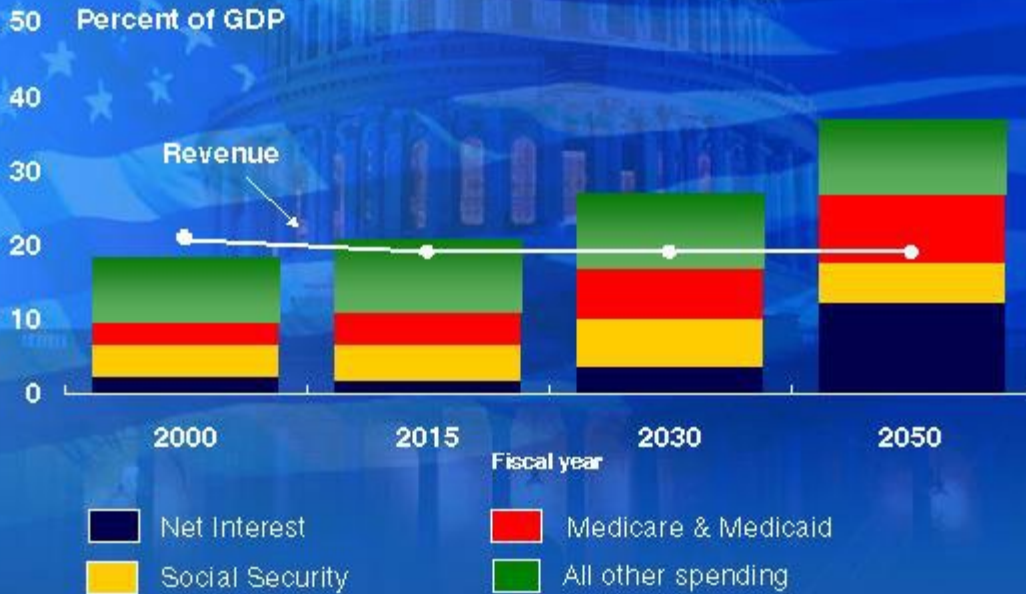
## Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2003 and the 2001 Tax Cuts Do Sunset



Note: Assumes the 2001 tax cuts sunset as scheduled and currently scheduled Social Security benefits are paid in full throughout the simulation period.  
Source: GAO's March 2003 analysis.



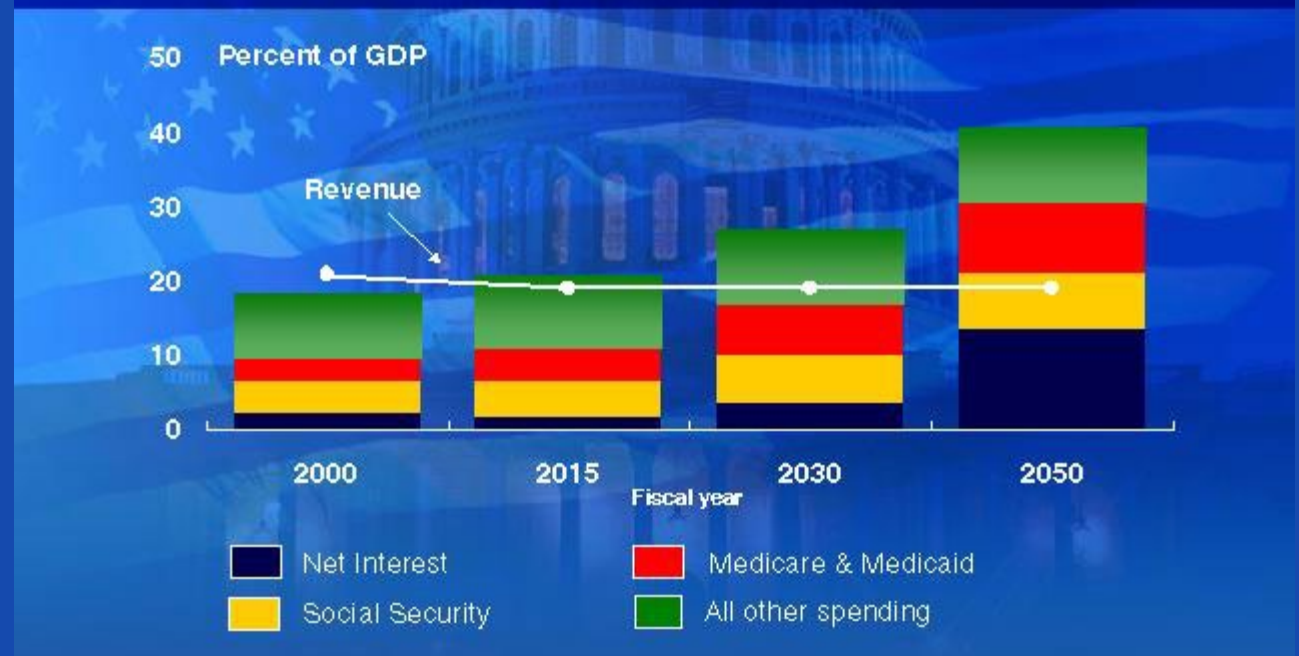
### Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP After 2003, the 2001 Tax Cuts Do Not Sunset, and Social Security Benefits Payable After 2041



Source: GAO's March 2008 analysis.



### Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP After 2003 and the 2001 Tax Cuts Do Not Sunset



Note: Assumes currently scheduled Social Security benefits are paid in full throughout the simulation period.  
Source: GAO's March 2003 analysis.



# Transformation

## Webster's definition

**An act, process, or instance of  
change in structure appearance,  
or character**

**A conversion, revolution,  
makeover, alteration, or  
renovation**





**Transformation is about creating the future rather than perfecting the past. Effective human capital strategy is key to any successful transformation effort.**



## The Case of Change

- **Government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:**
  - Rising public expectations for demonstrable results and enhanced responsiveness
  - Selected trends and challenges having no boundaries
  - Past fiscal trends and significant long-range challenges
  - Additional resource demands due to recent terrorism events in the United States
  - Government performance/accountability and high risk challenges, including the lack of effective human capital strategies



**Modern, effective, and credible  
human capital strategies are a  
critical element to any major  
transformation effort.**



# Transformation: A New Model for Government Organizations

Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused.
- Become more partnership-based, results-oriented, integrated, and externally focused.
- Achieve a better balance between results, customer, and employee focus.
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.





# Transformation has Different Dimensions

**DOD**

**DHS**

**U. S. Postal Service**

**IRS**

**DOE**

**NASA**

**Human Capital Strategy**  
**Financial Management**  
**Information Technology**  
**Sourcing Strategy**  
**Disability Programs**  
**Real Property Management**

Note: All of the above are on GAO's High Risk List to one extent or the other.



## Transformation Challenges To Improve Corporate Governance

- The collapse of Enron, Arthur Andersen and other recent events in the private sector have served to increase the visibility of and concerns relating to a range of issues, including:
  - The effectiveness of current regulatory, oversight, and enforcement activities
  - The adequacy of the current accounting and reporting model
  - The independence and effectiveness of auditors
  - The adequacy of existing pension rules
  - The nature and reasonableness of executive compensation
  - The roles of other key players (e.g., management, boards, analysts, attorneys, investment advisors)
  - The appropriateness of current corporate governance structures
- Definitive actions are needed by a range of parties to address legitimate concerns, better protect the public interest, and restore investor confidence (e.g., Congress, stock exchanges, management, boards, CPAs)
- Government has both the need and the opportunity to lead by example in some important areas



## Key Concepts in the Accountability Profession

- Public vs. personal interests
- Recognizing the difference between the floor (e.g., Law, Accounting Standards) and the ceiling (e.g., principles, values)
- Doing what is right vs. what is acceptable
- Economic substance vs. legal form
- Being concerned with both fact and appearance (e.g., independence)
- Using judgment vs. completing checklists
- Recognizing that continuing improvement in today's rapidly changing world is essential
- Trust is hard to earn, but easy to lose





# Selected Government Accountability Issues

## Leading by Example

- **Definition of success in financial management**
  - Clean opinion on financial statements
  - No major control weaknesses
  - No major compliance issues
  - Systems that produce timely, accurate, and useful financial and management information
- **Scope of audit**
  - Internal controls (current)
  - Compliance matters (current)
  - Performance and projection information (future)
- **Additional issues**
  - FASAB restructuring
  - Accelerated financial reporting
  - Audit/financial management committees
  - Auditor independence





## Independence: The Yellow Book

The focus of the changes to the auditor independence standard is to better serve the **public interest** and to maintain a high degree of **integrity**, **objectivity**, and **independence** for audits of government entities.



## New Independence Standards

- **Key Principles**
  - Auditors should not perform management functions or make management decisions
  - Auditors should not audit their own work or provide non-audit services if such services are material to the subject matter of the audit
- **Safeguards**
  - Personnel
  - Audit scope
  - Documentation
  - Quality assurance



## Key National Indicators for Assessing the Nation's Position and Progress

- Broad agreement that key national indicators take a comprehensive view of the nation's position and progress.
- Portfolios of indicators should encompass significant aspects of the economy, society, and the environment.

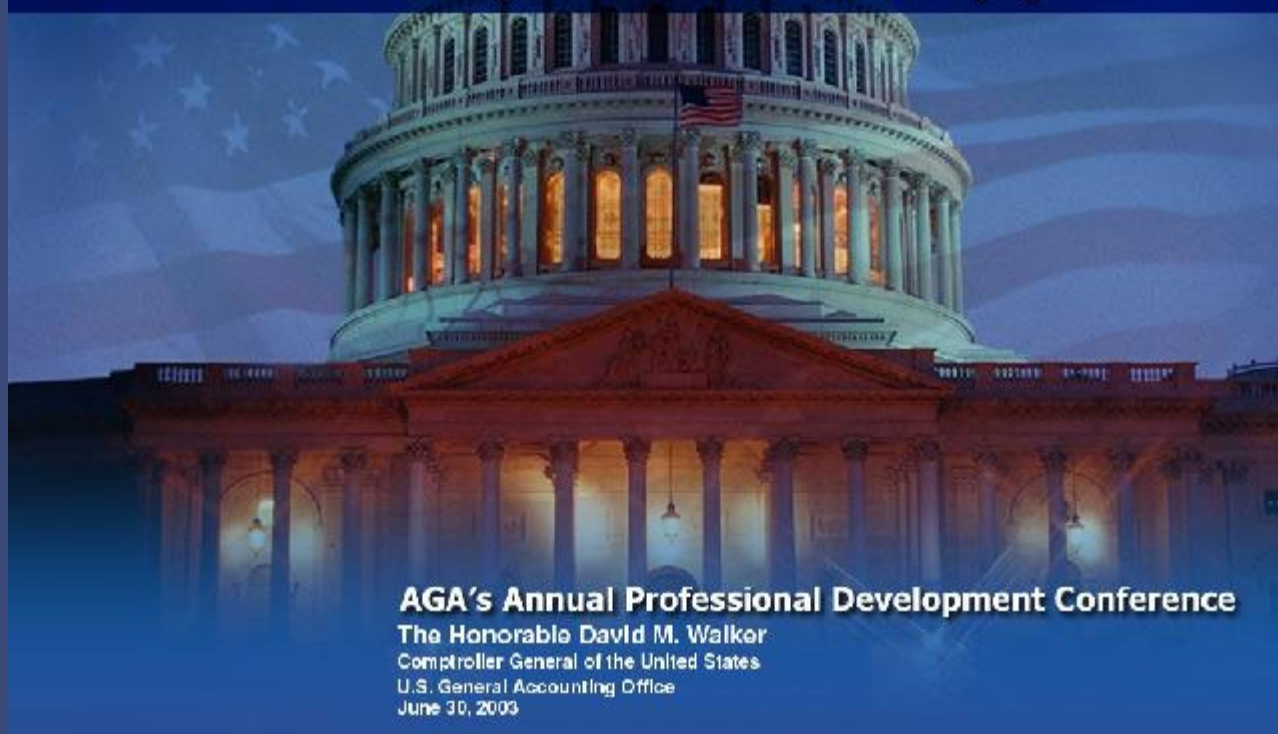


- There is a long history of efforts throughout the world by leading democracies to develop and sustain indicator systems.
- Developing a U.S. indicator system requires applying lessons from these efforts, drawing upon rich arrays of available data and developing approaches to the nation's unique challenges.
- A United States system must be flexible and evolve to respond to societal change and incorporate diverse perspectives.
- GAO is working both internally and with others to fashion useful portfolios of national indicators.





# *Comptroller General's* Perspective on Current and Emerging Issues



## **AGA's Annual Professional Development Conference**

**The Honorable David M. Walker**  
Comptroller General of the United States  
U.S. General Accounting Office  
June 30, 2003