Trends and Challenges in Government Accountability

22nd Biennial Forum of Government Auditors
Colorado Springs, CO - May 9, 2018

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Comptroller General of the United States
Overview

- GAO’s Strategic Plan
- Key trends and related audit work
- Partnerships and capacity building
1. Goals & Objectives

2. Key Efforts

3. Trends Affecting Government and Society
Trends Affecting Government & Society

- Global Security
- Debt and Fiscal Outlook
- Economics, Trade, & Connectedness
- Education and Employment
- Changes in People and Society
- Science & Technology
- Government and Governance
- Environment and Sustainability
Trend 1: Global Security

Terrorism Safe Havens and U.S. Diplomatic Presence, as of 2016

Map showing countries with various levels of terrorist safe haven status and presence or absence of diplomatic presence as of 2016.

Sources: GAO analysis of Department of State data, Map Resources (map). GAO-18-15P

* In addition, Iran, Sudan, and Syria are designated state sponsors of terrorism.
* Egypt: Safe Haven designation limited to the Sinai Peninsula.
* Somalia: The Secretary of State announced in May 2015 that the United States would reopen a diplomatic facility in Mogadishu at an unspecified date.
* Philippines: Southern islands and the littoral regions of the Sulu and Sulawesi Seas shared with Indonesia and Malaysia.
Trend 1: Global Security

1. Rebalancing forces / rebuilding readiness
2. Cyber threats / cyber capabilities
3. Control of program costs
4. Human capital management
5. Business operations
Trend 1: Global Security

10-year Estimates for Sustaining and Modernizing the U.S. Nuclear Deterrent

- **$40.5 billion**
  Nuclear Command, Control, and Communications System
  +
- **$107.8 billion**
  Nuclear Stockpile and Nuclear Security Enterprise
  +
- **$193.5 billion**
  Nuclear Delivery Systems

**$341.8 billion**

Source: GAO analysis of DOD and DOE data. | GAO-18-1SP
Trend 1: Global Security

Related GAO Work

- Analyze the implementation of U.S. and international efforts to counter threats at home and abroad.
- Assess efforts to strengthen the cybersecurity of critical infrastructure and federal government assets.
- Assess DOD’s ability to meet operational demands, rebalance forces, and rebuild readiness in an evolving global security environment.
- Assess efforts to sustain and modernize the capabilities of U.S. military forces and weapons systems, including the nuclear security enterprise and nuclear force structure.
- Assess U.S. emergency preparedness and efforts to strengthen resilience.
- Review efforts to manage the effects of foreign investment and a global supplier base on U.S. national security interests.
Trend 2: Debt and Fiscal Outlook

Federal Debt Held by the Public as a Share of GDP (1790-2018)

Percentage of gross domestic product


* Note: 2018 projected
Trend 2: Debt and Fiscal Outlook

Distribution of Ownership of Debt Held by the Public

Percentage of total debt held by the public

- State and local governments
- Federal Reserve
- Domestic private investors
- International investors


Trend 2: Debt and Fiscal Outlook

• In its April 2018 Budget and Economic Outlook, CBO estimates that the debt-to-GDP ratio will be
  • 96% by 2028 (baseline)
  • 105% by 2028 (alternative scenario)
• CBO projects that net interest on the debt will roughly triple by 2028 in nominal terms and roughly double when measured as a percentage of GDP (from 1.6% in 2018 to 3.1% in 2028)
• In CBO’s baseline projections, federal deficits are projected to reach $1 trillion in 2020 and average $1.2 trillion per year.
Trend 2: Debt and Fiscal Outlook
Related GAO Work

- Perform long-term **fiscal simulations** and analyzing the drivers of the fiscal position of **federal** and **state and local sectors**, including **tax policy, health, disability & retirement programs**.
- Analyze **federal debt** and **debt management**.
- Identify and recommend solutions to reduce the risk of **waste, fraud, and abuse** and **improper payments**.
- Identify opportunities to reduce the **tax gap** and further protect **revenue**.
- Identify opportunities to reduce or eliminate **fragmentation, overlap, and duplication** in government programs and activities.
- Improve the quality of **financial and cost information**.
Important Areas for the Accountability Community

- High Risk List
- Fragmentation, Overlap and Duplication
- Improper Payments
- DATA Act
- Fraud Reduction and Data Analytics Act
GAO’s High Risk List

Criteria for Removal from GAO’s High Risk List
## Fragmentation, Overlap, and Duplication

### New recommended actions

<table>
<thead>
<tr>
<th>New recommended actions</th>
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<tbody>
<tr>
<td><strong>68</strong></td>
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</table>

This year, GAO introduces **68 new actions** across 23 areas.

### Status update

Congress and executive branch agencies have addressed 376 of GAO’s recommended actions.

<table>
<thead>
<tr>
<th>Status update</th>
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<tbody>
<tr>
<td><strong>376</strong> (52%)</td>
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<tr>
<td>51 (7%)</td>
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<tr>
<td>175 (24%)</td>
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<tr>
<td>122 (17%)</td>
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<tr>
<td><strong>68</strong> (100%)</td>
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- **Addressed actions**
- **Other actions**
- **Partially addressed actions**
- **Actions not addressed**
- **New actions**

Fully addressing the remaining actions could save **tens of billions of dollars**.

### To date

To date, the federal government has achieved an estimated **$178 billion in financial benefits** by addressing these actions.

Source: GAO.  |  GAO-18-371SP

*Other actions include those that were consolidated or closed-not addressed. These actions are no longer assessed.*

Data as of March 2018
Improper Payments

FY2017 improper payment estimates are approximately $141 billion

- Medicare – $51.9 billion
  - Medicare Fee-for-Service (Parts A and B)
  - Medicare Advantage (Part C)
  - Medicare Prescription Drug (Part D)
- Medicaid – $36.7 billion
- Earned Income Tax Credit – $16.2 billion
- All other programs – $36.1 billion

Source: GAO analysis of FY 2017 data reported in agency PARs/AFRs.
DATA Act

- Increases transparency of over $3.7 trillion in annual federal spending
- Requires OMB and Treasury to establish standards
- GAO’s first review of the quality of the data was in November 2017
  - Completeness of data
  - Accuracy of data
  - Use of data elements
  - Presentation of data on Beta.USAspending.gov
DATA Act

Different Definitions Affect Reporting

Inconsistent Reporting of Primary Place of Performance

DOL and HHS issued contracts to the same company for similar office printers, but reported the Primary Place of Performance to Beta.USAspending.gov differently.

Department of Labor (DOL)
Contract DOLSFO16U00031

Department of Health and Human Services (HHS)
Contract HHSD202011F42081

DOL used the DATA Act definition: “where the predominant performance of the award will be accomplished.” Therefore it reported the Primary Place of Performance as California since this is the location of the office where the printers were delivered and are used.

HHS used the FPDS-NG* definition: “the principal plant or place of business where the items will be produced, supplied from stock, or where the service will be performed.” Therefore it reported the Primary Place of Performance as New Jersey since this is the location of the company that supplied the printers.

*Federal Procurement Data System-Next Generation (FPDS-NG)
What are the requirements of the Fraud Reduction and Data Analytics Act of 2015?

1. The Office of Management and Budget (OMB) must establish guidelines that incorporate leading practices from GAO’s Fraud Risk Management Framework.

2. Agencies are required to establish financial and administrative controls, to include, among other things, evaluating fraud risks, designing and implementing related antifraud controls, and using data to monitor fraud trends.

3. OMB must establish a working group to improve the sharing of controls and other best practices for addressing fraud and development of data-analytics techniques.

4. The working group must submit a plan to the Congress for establishing a federal interagency library of data analytics and data sets that can be used to address fraud.

5. Federal agencies must report to the Congress for 3 years, as part of their annual financial reporting, on their progress in implementing OMB’s guidelines and other antifraud guidance, identifying fraud risks, and establishing steps to reduce fraud.

Source: GAO analysis of legislation.
GAO Fraud Risk Management Framework

It includes leading practices in four components:

Commit to combating fraud by creating an organizational structure and culture conducive to fraud risk management.

Assess fraud risks and document the assessment in a fraud risk profile.

Evaluate outcomes and adapt fraud risk management activities for continuous improvement.

Design and implement a strategy with control activities to mitigate fraud risks.

The Framework emphasizes using a risk-based approach and focusing on fraud prevention. The practices may be tailored to a program’s operations, environmental factors, and risks.

Source: GAO, GAO-18-581CG
Trend 3: Economics, Trade, & Connectedness

Overview of U.S. International Trade

U.S. merchandise trade with top 7 partners in 2016 (dollars in billions)

Imports from:
- China
- Mexico
- Canada
- Japan
- Germany
- South Korea
- United Kingdom

Exports to:
- China
- Mexico
- Canada
- Japan
- Germany
- South Korea
- United Kingdom

Top seven U.S. markets in 2016

Merchandise trade (dollars in billions)

Imports:
- China, 21%, $462.8
- Mexico, 13%, $294.1
- Canada, 13%, $278.0
- Japan, 6%, $132.2
- Germany, 5%, $114.2
- South Korea, 3%, $99.9
- United Kingdom, 3%, $54.3
- Rest of the world, 36%, $783.2

Exports:
- Canada, 18%, $265.9
- Mexico, 16%, $230.9
- China, 8%, $115.7
- Japan, 4%, $63.2
- United Kingdom, 4%, $55.3
- Germany, 4%, $49.3
- South Korea, 3%, $42.2
- Rest of the world, 43%, $628.5

Source: GAO analysis of U.S. Department of Commerce data.
Trend 3: Economics, Trade, & Connectedness

Related GAO Work

- Assess the ability of regulators to oversee the financial services industry and maintain a stable, competitive, and efficient financial system.

- Assess federal oversight of consumer protection laws and regulations, including efforts to ensure a safe food supply and medical products.

- Analyze how international trade programs serve U.S. interests, including export financing and trade enforcement.

- Analyze the implementation and management of U.S. bilateral and multilateral foreign assistance.
Trend 4: Education and Employment

Changes in Employment by Education level, 2008-2017

Percentage change (Seasonally adjusted)

- Bachelor's degree or higher
- Associate degree or some college
- High school diploma
- Less than high school diploma

Trend 4: Education and Employment

Percentage Annual Growth in Civilian Labor Force (16 years and older)
FY1980 to FY2028

GAO-18-581CG
Trend 4: Education and Employment

• New technologies affect the types of jobs that are available and the specific job skills required

• Innovation may lead to a mix of job creation and job loss

• Changes will create strains on education and workforce systems alike

• Composition of the workforce is changing
  
  • Workforce participation expected to rise for those aged 65+ by 2026
  
  • Participation in the civilian workforce is shrinking
Trend 4: Education and Employment

Related GAO Work

• Assess policy and administrative challenges to improving school readiness and K-12 education.

• Evaluate management and oversight of student aid programs, as well as programs and policies designed to promote postsecondary access and affordability.

• Evaluate federal efforts to oversee and manage employment and training programs in an evolving economy.

• Evaluate federal and state efforts to collaborate and implement the Workforce Innovation and Opportunity Act.

• Evaluate federal efforts to provide employment assistance for transitioning veterans.
Trend 5: Changes in People and Society

Daily Average Number of People Turning 65

Number (in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2029</th>
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<tr>
<td></td>
<td>5.5</td>
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<td>9.3</td>
<td>9.3</td>
<td>9.5</td>
<td>9.6</td>
<td>9.8</td>
<td>10.2</td>
<td>10.5</td>
</tr>
<tr>
<td>Baby boomers begin turning 65</td>
<td>9.8</td>
<td>10.6</td>
<td>10.9</td>
<td>11.3</td>
<td>11.3</td>
<td>11.3</td>
<td>11.7</td>
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<td>11.3</td>
<td>11.6</td>
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<td>11.4</td>
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</table>

Source: GAO analysis of U.S. Census Bureau information. | GAO-17-237SP

Note: Census data estimates of population are as of July 1 in each year.
Trend 5: Changes in People and Society

Older Americans Comprise an Increasing Share of the Total Population

Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration (intermediate assumptions). | GAO-18-1SP
Trend 5: Changes in People and Society

Federal Spending on Major Health Care Programs Grows Faster Than GDP

![Graph showing cumulative real growth since 2000 for federal health programs and GDP from 2000 to 2035. The graph indicates that spending on major health care programs grows faster than GDP.]

Source: GAO analysis of Congressional Budget Office data. | GAO-18-1SP

Note: Data after fiscal year 2015 are projected.
Trend 5: Changes in People and Society

The Pension Benefit Guaranty Corporation’s Net Position Is Declining

Net Position (in billions of dollars)

10

0

-1.8

-0.1

10.0

-23.1

-23.0

-76.3

-79.4

Fiscal year (at year end)

1990

1995

2000

2005

2010

2015

2016

Source: Pension Benefit Guaranty Corporation financial data.
Trend 5: Changes in People and Society
Trend 5: Changes in People and Society

Related GAO Work

- Assess trends affecting the health care system, including costs and issues in public and private health insurance coverage and reforms.
- Evaluate financing, expenditures, and oversight of Medicare and Medicaid.
- Assess efforts to reduce fraud, waste, and abuse in federal health care programs.
- Assess the challenges to providing Social Security and other benefits for older adults in retirement, as well as the adequacy and effectiveness of employer-sponsored retirement plans in providing security to older adults.
- Assess actions and options for improving VA and DOD health care services.
- Review the policies and administration of programs that could enable older adults to maintain their independence.
Trend 6: Science and Technology

Five emerging trends will potentially transform society

- Genome editing
- AI and automation
- Quantum information science
- Brain-computer interfaces and augmented reality
- Cryptocurrencies and blockchain
Trend 6: Science and Technology

Related GAO Work

- Perform technology assessments in areas such as health care AI, blockchain, electromagnetic pulse events, flu vaccines, antibiotic resistance, and airport security.

- Evaluate the technology readiness and performance of complex weapons systems, such as the Columbia class ballistic submarine, military space systems, and U.S. nuclear forces.

- Assess cost and schedule performance of major NASA and DOD science and technology programs and acquisitions.

- Examine federal efforts to protect intellectual property, enhance information security, safeguard privacy, and promote innovation.

- Review the effectiveness and governance of federal IT investment.

- Assess federal investments and programs that support transportation infrastructure and associated new technologies.

- Assess federal military and civilian satellite programs and efforts to support and oversee telecommunications in the public interest.
Trend 7: Government and Governance

Total Federal Outlays for Grants to State and Local Governments, FY 1980–2016

2016 constant dollars (in billions)

$661
$368
$233
$36

Fiscal year

Federal grant outlays to state and local governments
Non-Medicaid federal grant outlays
Medicaid federal grant outlays

Source: GAO analysis of OMB data.
Trend 7: Government and Governance

Related GAO Work

• Highlight **high-risk federal programs** and operations and assess government-wide **management reforms**.

• Evaluate programs across government associated with key elements of the President’s Management Agenda: **IT modernization**, leveraging **data**, and the federal **workforce**.

• Identify ways to improve federal **acquisition** of goods & services.

• Identify ways to improve the collection, dissemination, and quality of **federal information**.

• Identify ways to improve the administration and management of **grants** and other federal assistance across all levels of government.
Trend 8: Environment and Sustainability

Total Reported U.S. Environmental Liability, FY 2016

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Agency</th>
<th>Liability in Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>Department of Energy</td>
<td>372</td>
</tr>
<tr>
<td>14%</td>
<td>Department of Defense</td>
<td>63</td>
</tr>
<tr>
<td>3%</td>
<td>Other federal agencies</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>447</strong></td>
</tr>
</tbody>
</table>

State Water Shortages Likely Over The Next Decade Under Average Water Conditions, 2013

Trend 8: Environment and Sustainability

Sources: GAO analysis of state water managers' responses to GAO survey; Map Resources (map) | GAO-18-1SP

Number of states in each category

<table>
<thead>
<tr>
<th>Shortage category</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide</td>
<td>1</td>
</tr>
<tr>
<td>Regional</td>
<td>24</td>
</tr>
<tr>
<td>Local</td>
<td>15</td>
</tr>
<tr>
<td>None</td>
<td>8</td>
</tr>
<tr>
<td>No response or uncertain</td>
<td>2</td>
</tr>
</tbody>
</table>
Trend 8: Environment and Sustainability

Related GAO Work

- Assess federal efforts to ensure affordable, reliable, and environmentally sound energy.
- Evaluate efforts to respond to natural disasters, including the 2017 wildfires and hurricanes Harvey, Irma, and Maria.
- Assess the cost, availability, and management of catastrophic insurance and disaster loan programs.
- Review federal strategies for sustainably managing the nation’s land and water resources.
- Assess efforts to manage the federal government’s environmental liabilities.
- Assess federal programs’ ability to ensure a safe food supply and address agricultural risks and environmental impacts.
Partnerships & Capacity Building

GAO’s Center for Audit Excellence

• Third year of operation

• Goal is to help strengthen audit and accountability organizations in the U.S. and abroad

• In FY17, provided training and technical assistance services to 15 organizations, including international, federal, state, and local government accountability organizations

• Domestically, the Center has worked with 6 IG offices, 2 other federal agencies, and 4 state and local audit organizations
Yellow Book Update & Internal Control Tool

• Yellow Book
  • Scheduled to be issued in late summer of 2018
  • Revisions include updates on
    • Independence
    • Peer reviews
    • CPE
    • Focus of internal controls for performance audits

• Internal Control Tool (new)
  • Yellow Book will require auditors to consider internal controls
  • Planning to release in 2019
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