KEY CHALLENGES FACING GOVERNMENT MANAGERS

Interagency Resources Management Conference
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Outline

• Economic Recovery and Financial Markets

• Transition – New President and Congress

• Long-Term Fiscal Outlook and Risks
American Recovery & Reinvestment Act

- Signed February 17, 2009
- Purpose:
  - 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
Challenges for the federal, state and local officials:

- Expectations for “an unprecedented level of transparency and accountability”
- Qualified personnel need to implement proper controls and accountability at all levels of government
- Close federal, state, and local government coordination needed
- Experience has shown that the risk for fraud and abuse grows when billions of dollars are going out quickly, eligibility requirements are being established or changed, and new programs are being created
Financial Institutions and Markets

- GAO Role in Financial Rescue
- Auditors of Bank Insurance Fund, FHFA, TARP, and U.S. Government Financial Statements
- Financial Regulatory System
Emergency Economic Stabilization Act of 2008 created $700 billion TARP in October 2008

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
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
Regulatory System Outdated

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
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
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.

Recently Issued Products

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-09-304, March 31, 2009
Summary (HTML) Full Report (PDF, 100 pages)

Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues
GAO-09-330T, March 31, 2009
Summary (HTML) Full Report (PDF, 16 pages)

March 30, 2009

Defence Acquisitions: Assessments of Selected Weapon Programs

GAO-09-609CG
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 being spent and whether they are achieving the act's goals;
- 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 85 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.
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

- DOD: 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 (1/30)

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
- Retirement of the Space Shuttle
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
Long-Term Challenges

• Today’s focus—understandably—is on:
  • Dealing with financial system stress
  • Addressing the economic downturn

• BUT…. Underlying issues still need to be addressed:
  • Long-term fiscal challenge
  • Sustaining progress on federal financial management
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

Percent of GDP

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.

Federal Financial Management: Need to Continue Progress

- Significant improvements in federal financial management -- but still a long way to go

- Information for decision-making must be reliable
Federal Financial Management: Key Challenges

- Improve internal control—greater accountability and fewer improper payments
- Obtain clean opinion on U.S. government’s consolidated financial statements
- Improve extent and reliability of cost information for evaluating federal program operations
- Implement more effective federal financial management systems
- Improve federal grant accountability
- Streamline and enhance relevance and effectiveness of federal accountability requirements and practices
2009 HIGH-RISK LIST

30 items grouped into four categories:

• **Broad-Based Transformation Challenges**
  (e.g., Strategic Human Capital Management, Protecting the Federal Government’s Information Systems and the Nation’s Critical Infrastructures)

• **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