



# **Anticipating and Meeting Accountability Challenges in a Dynamic Environment**

**AICPA National Governmental  
Accounting and Auditing Update Conference  
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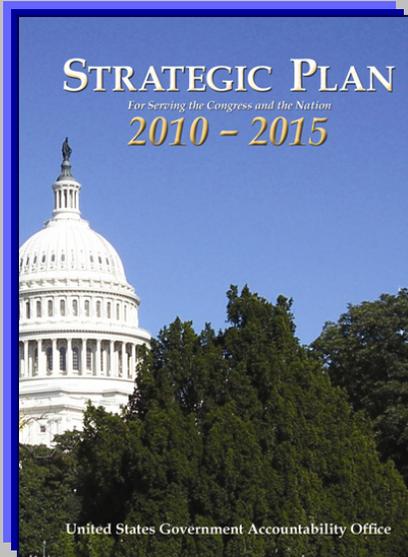
# Overview

- GAO's Strategic Plan: Trends and Related Work
- New and Ongoing Responsibilities for GAO
- Yellow Book Update and International Coordination

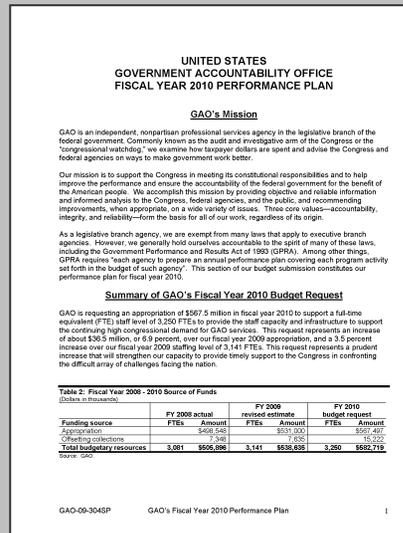
# GAO's Planning & Performance Documents

[www.gao.gov/sp.html](http://www.gao.gov/sp.html)

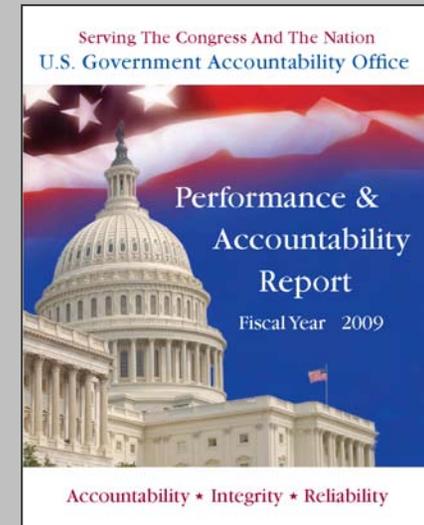
## Strategic Plan



## Performance Plan



## Performance & Accountability Report



# Strategic Planning Framework

Goals	Objectives	
<p><b>Provide Timely, Quality Service to the Congress and the Federal Government to...</b></p> <p><b>...Address Current and Emerging Challenges to the Well-being and Financial Security of the American People</b> related to...</p>	<ul style="list-style-type: none"> <li>• Health care needs</li> <li>• Lifelong learning</li> <li>• Benefits and protections for workers, families, and children</li> <li>• Financial security</li> <li>• Effective system of justice</li> </ul>	<ul style="list-style-type: none"> <li>• Viable communities</li> <li>• Stable financial system and consumer protection</li> <li>• Stewardship of natural resources and the environment</li> <li>• Infrastructure</li> </ul>
<p><b>...Respond to Changing Security Threats and the Challenges of Global Interdependence</b> involving...</p>	<ul style="list-style-type: none"> <li>• Homeland security</li> <li>• Military capabilities and readiness</li> </ul>	<ul style="list-style-type: none"> <li>• Advancement of U.S. Interests</li> <li>• Global market forces</li> </ul>
<p><b>Help Transform the Federal Government to Address National Challenges</b> by assessing...</p>	<ul style="list-style-type: none"> <li>• Government's fiscal position and options for closing gap</li> <li>• Fraud, waste, and abuse</li> </ul>	<ul style="list-style-type: none"> <li>• Major management challenges and program risks</li> </ul>
<p><b>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency</b> in the areas of...</p>	<ul style="list-style-type: none"> <li>• Efficiency, effectiveness, and quality</li> <li>• Diverse and inclusive work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Professional networks and collaboration</li> <li>• Institutional stewardship and resource management</li> </ul>

# Trend 1: Threats Confronting U.S. National Security Interests

- Regional instability (Middle East, Central Asia, Africa)
- Longstanding threats (extremism, terrorism, proliferation of weapons, cybersecurity)
- Emerging threats (energy security, climate change, global recession)
- Need for new capabilities alongside increasingly constrained resources

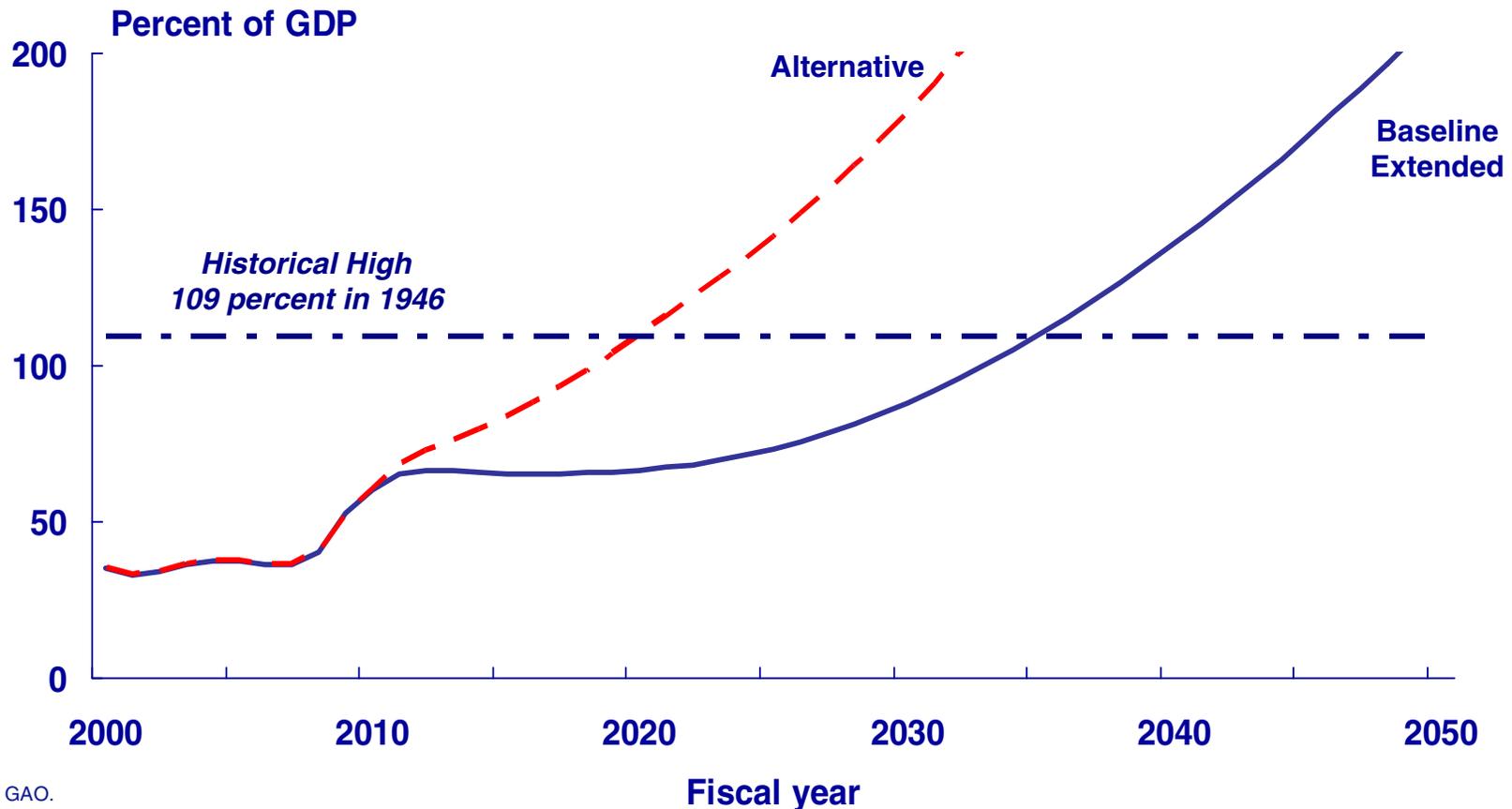
# Trend 1: Threats Confronting U.S. National Security Interests

## Related GAO work

- Reviewing U.S. efforts related to **Afghanistan, Iraq** and other regions in conflict, including reviewing the effect of drawing down resources in Iraq, providing more resources to Afghanistan, and retooling operations in **Pakistan**.
- Tracking U.S. efforts to combat **terrorism** abroad.
- Reviewing the government's efforts to identify and act on credible **threats to homeland and border security**, as well as those involving biological, chemical, and nuclear dimensions.
- Analyzing the **funding and costs of military operations** and programs given the fiscal pressures facing the nation.
- Evaluate efforts to ensure the reliability, security, and affordability of **energy supply infrastructure** and assess the implications of **climate change** for the federal government.

# Trend 2: Fiscal Sustainability and Debt Challenges

## Debt Held by the Public Under Two Fiscal Policy Simulations



Source: GAO.

Note: Data are from GAO's January 2010 analysis based on the Trustees' assumptions for Social Security and Medicare. Some of the increase in debt has been used to purchase financial assets as part of programs to stabilize financial markets and stimulate the economy. The value of these financial assets has not been subtracted from the total debt held by public in our simulations.

# Trend 2: Fiscal Sustainability and Debt Challenges

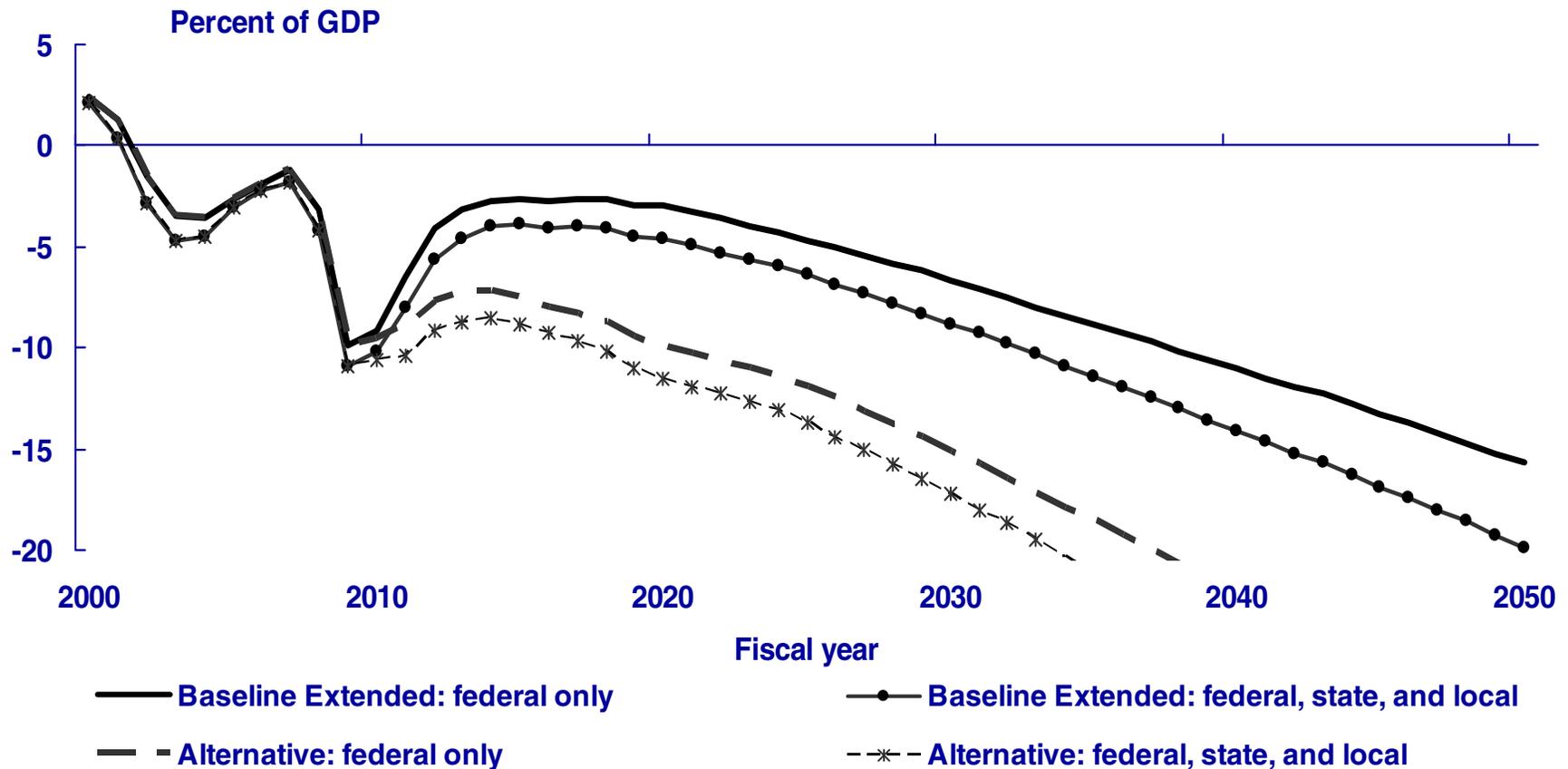
## Challenges Affecting the Federal Budget in the Near Term

2008	Oldest members of the baby-boom generation became eligible for early Social Security retirement benefits.
2008	Medicare Hospital Insurance (HI) outlays exceeded cash income.
2010	Social Security runs first cash deficit since 1984.
2010	45 percent of Medicare outlays funded by general revenue. <sup>a</sup>
2011	Oldest members of the baby-boom generation become eligible for Medicare.

*a - Based on 2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (August 5, 2010). Projections showing the percentage of funding from general revenue reaching 45 percent by law trigger a "Medicare funding warning," requiring a proposal from the President in response.*

# Trend 2: Fiscal Sustainability and Debt Challenges

## Combined Federal, State, & Local Surpluses and Deficits



Source: GAO.

Note: Data are from GAO's January 2010 federal simulations and March 2010 state and local simulations.

# Not Just a U.S. Challenge

- **Financial market stress in other major industrial nations**
- **Public debt levels in other major industrial countries have also increased dramatically.**
- **Projections show many countries on a path of rising debt to GDP ratios.**

# Moving Forward

- **Budget Controls**
- **Creation of Commission**
- **Continued Public Education, Discussion, and Debate**

# Trend 2: Fiscal Sustainability and Debt Challenges

## Related GAO work

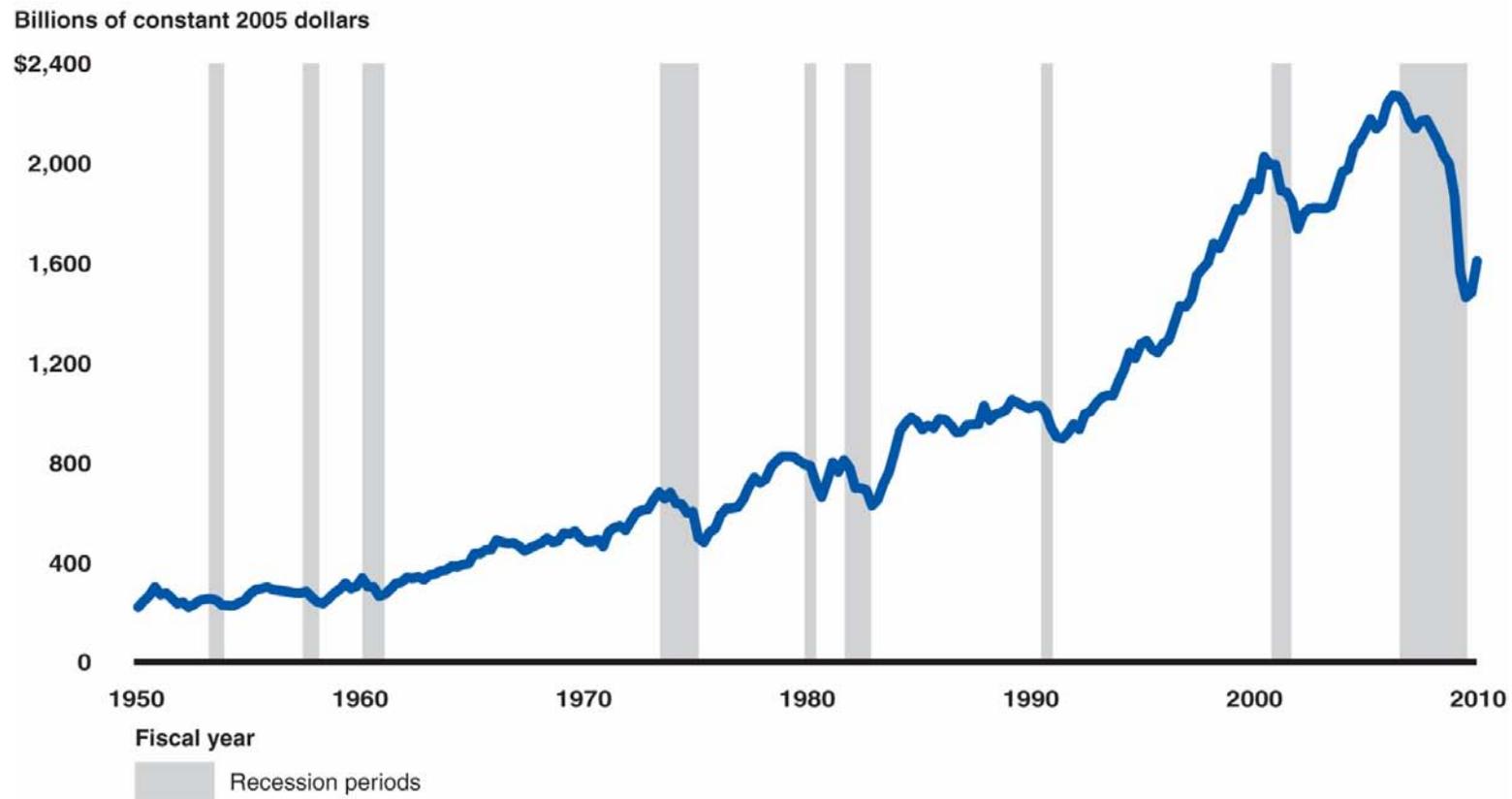
- Conducting work to assess **duplication and overlap** among federal programs and agencies.
- Identifying elements to help address the nation's **financial challenges** including Social Security, tax reform, retirement, and disability programs; opportunities to reduce spending; and reducing the gap between taxes owed and taxes collected.
- Performing **financial statement audits** (IRS, Schedule of Federal Debt, FDIC, FHA, Consolidated Financial Statements, SEC).
- Performing long-term **fiscal simulations** and analyses of federal **deficits**, federal **debt levels**, and the **state and local sector**.
- Identifying and recommending solutions to reduce the risk of **waste, fraud, and abuse** and **improper payments**.

## Trend 3: Economic Recovery and Restored Growth

- Different scenarios for economic recovery
- Replacement of lost jobs
- Role of consumers
- Housing and commercial real estate
- The timing of fiscal & monetary support
- Managing concerns about inflation

# Trend 3: Economic Recovery and Restored Growth

## Private Investment Has Fallen Sharply, but is Starting to Recover



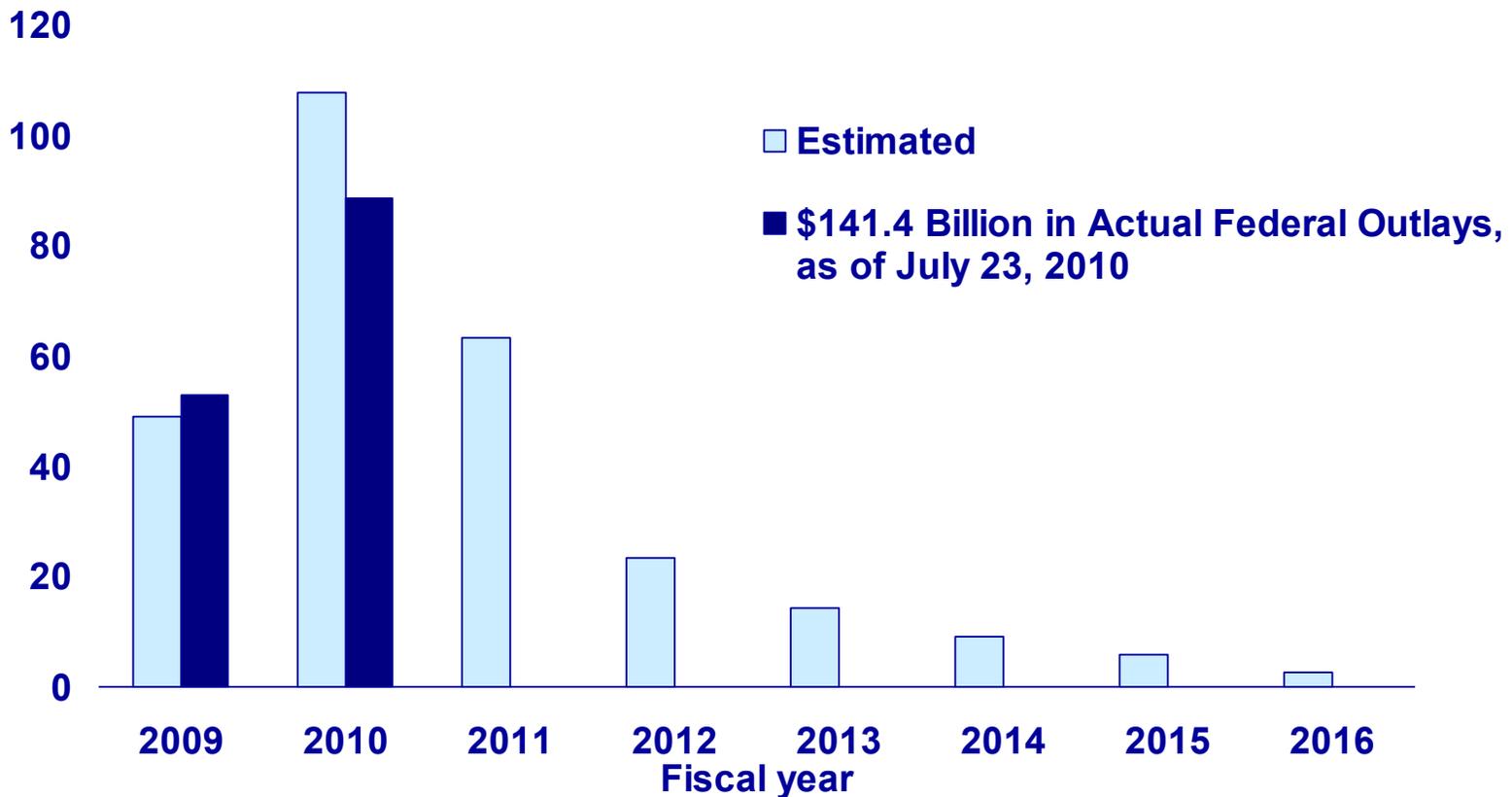
Source: U.S. Department of Commerce.

# American Recovery & Reinvestment Act

- Signed February 17, 2009
- Purpose:
  - Preserve/create jobs and promote recovery
  - Assist those most hurt by the recession
  - Invest in infrastructure
  - Stabilize state and local government budgets
- Total cost (tax and spending): \$862 billion, including over \$626 billion in additional spending (CBO Estimate)

# Recovery Act: Projected Versus Actual Federal Outlays to States and Localities

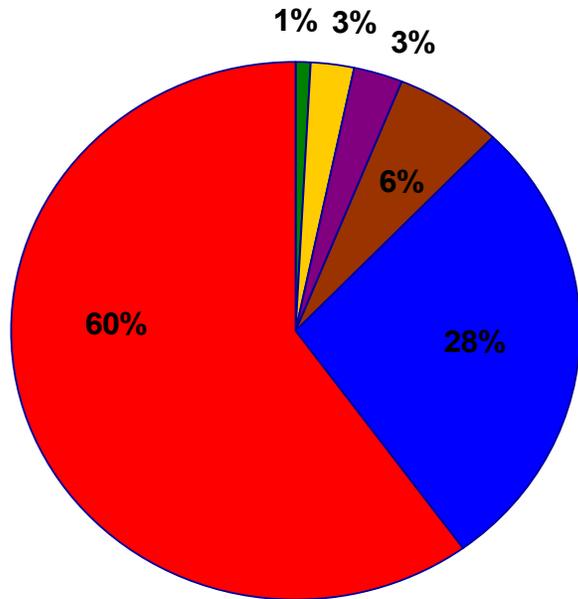
Outlays in billions of dollars



Source: GAO analysis of data from CBO, Recovery.gov and Federal Funds Information for States.

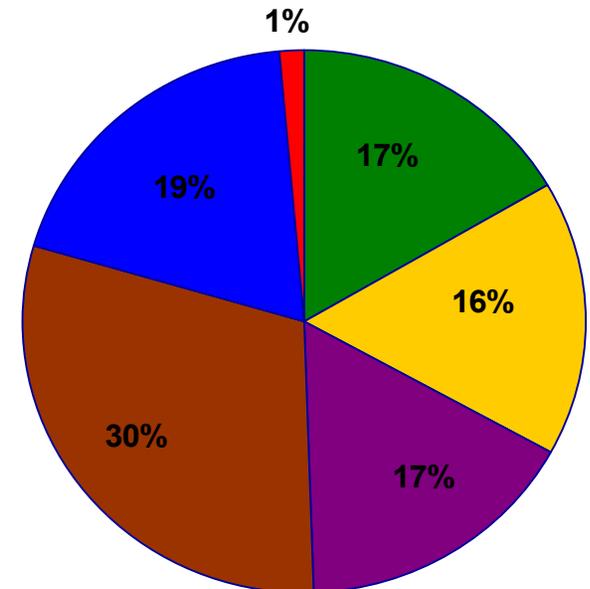
# Composition of State and Local Recovery Act Funding, Fiscal Years 2009 Actual and 2012 Estimated

**Actual Fiscal Year 2009**



**\$52.9 Billion**

**Estimated Fiscal Year 2012**

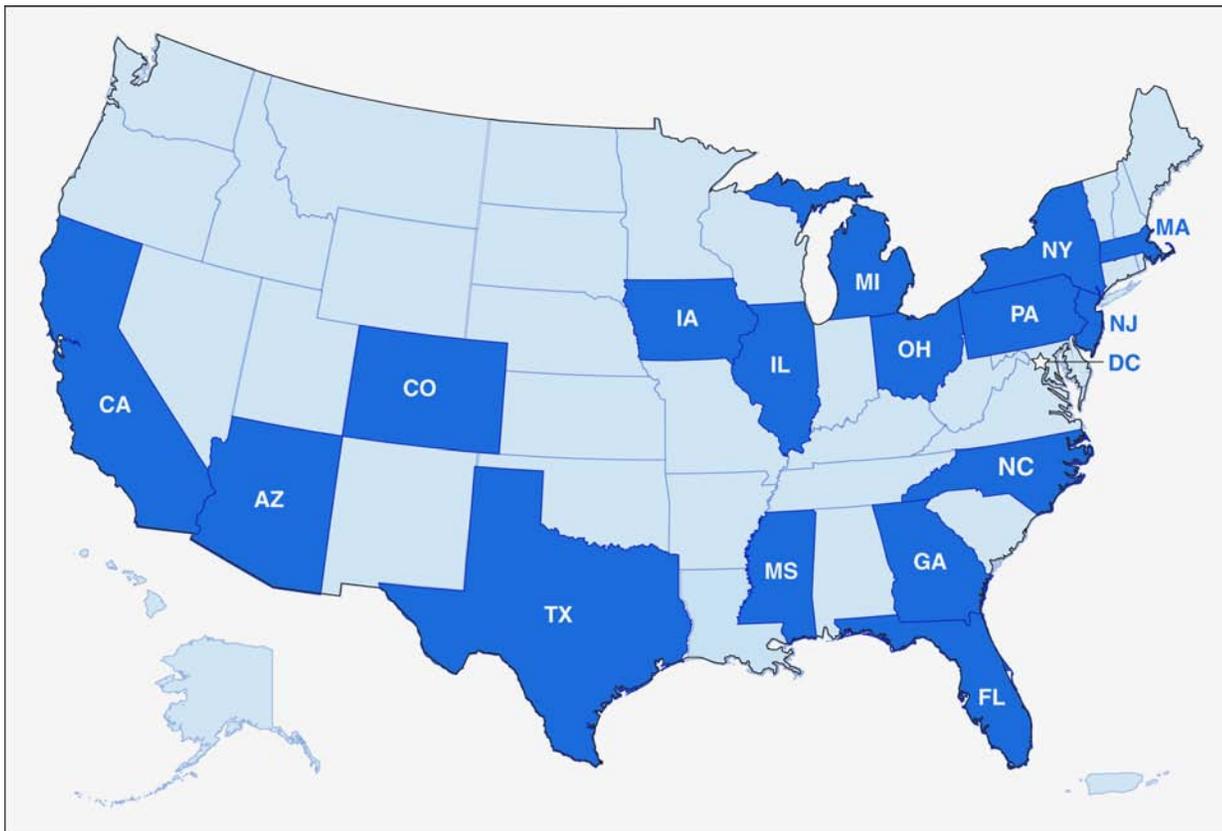


**\$23.3 Billion**

- Health
- Education and Training
- Transportation
- Income Security
- Community Development
- Energy and Environment

Source: GAO analysis of CBO and FFIS data.

# Recovery Act: GAO's Monitoring of Selected States



Source: GAO analysis.

1. Arizona
2. California
3. Colorado
4. Florida
5. Georgia
6. Illinois
7. Iowa
8. Massachusetts
9. Michigan
10. Mississippi
11. New Jersey
12. New York
13. North Carolina
14. Ohio
15. Pennsylvania
16. Texas
17. Washington, D.C.

# Recovery Act: GAO Recommendations

- **GAO has made 54 recommendations to 9 federal agencies (Education, EPA, DOE, DOL, DOT, HHS, HUD, Treasury, and OMB) regarding:**
  - **Accountability and Transparency**
  - **Reporting on Impact and Guidance**
  - **Resource Allocation and Capacity**

# Single Audit: GAO Recommendations

## Leverage Single Audit as an effective oversight tool

- Issue Single Audit guidance in a timely manner
- Explore alternatives to ensure federal awarding agencies provide management decisions on corrective action plans in a timely manner
- Move to earlier reporting on internal controls
- Focus on Recovery Act programs
- Give relief for low-risk programs
- Fund more timely, effective Single Audits
- Provide more timely Single Audit guidance and federal agency decisions on corrective action plans

# Single Audits: GAO Matter for Congressional Consideration

- amending the Single Audit Act or enact new legislation that provides for more timely internal control reporting, as well as audit coverage for smaller Recovery Act programs with high risk.
- create mechanisms to provide additional resources to support those charged with carrying out the Single Audit and related audits.

# Troubled Asset Relief Program (TARP)

- 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
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 reduces TARP's authority to \$475 billion and prohibits any additional obligations unless the program or initiative had already been initiated prior to June 25, 2010.

# Status of Troubled Asset Relief Program Outstanding Balances

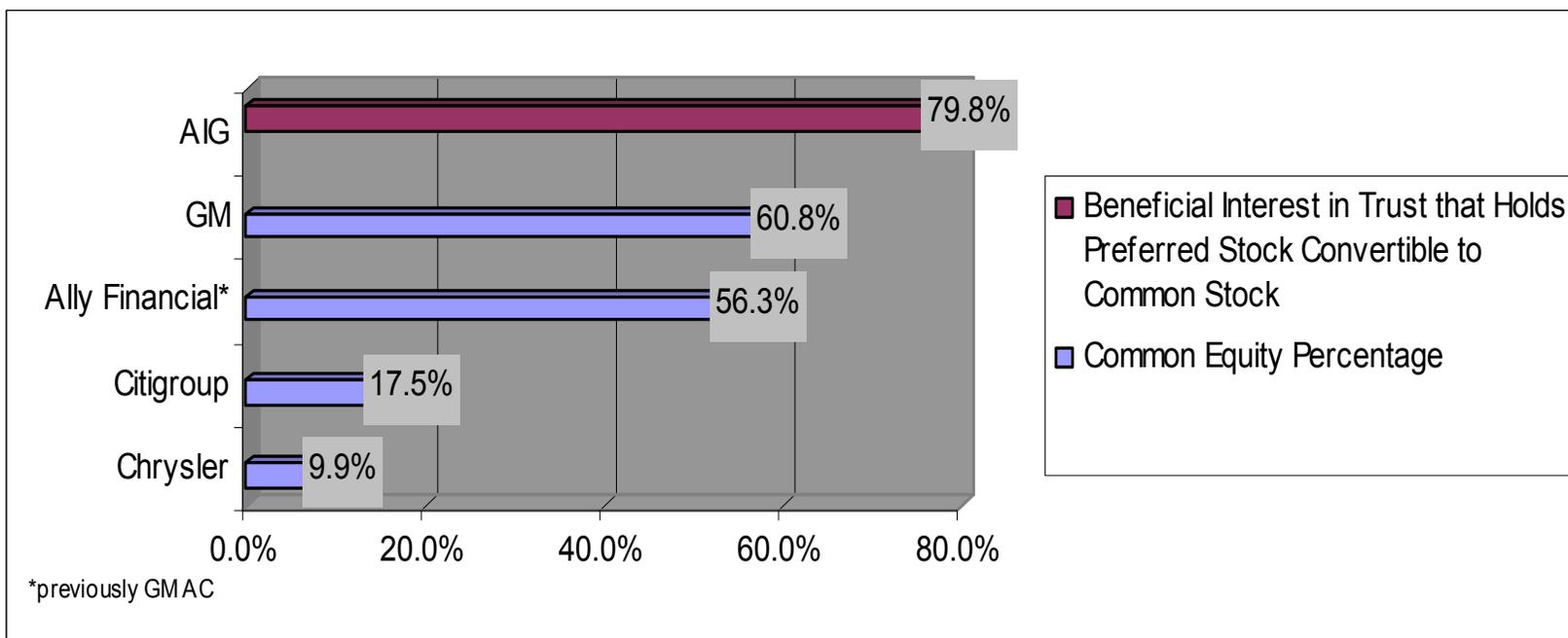
- As of July 31, 2010, Treasury had disbursed about \$386 billion in program funds, and had received repayments of about \$199 billion.
- A total of about \$184.2 billion remains outstanding (see table below).

Status of TARP Funds as of July 31, 2010 (dollars in billions)

Program	Gross Outstanding Balance
Capital Purchase Program	\$55.3*
AIG	47.5
Targeted Investment Program	0.0
Consumer & Business Lending Initiative: Term Asset-backed Securities Loan Facility & Small Business and Community Lending Initiative	0.2
Automotive Industry Financing Program	68.5
Public-Private Investment Program	12.7
<b>Totals</b>	<b>\$184.2</b>

\*The CPP amount outstanding excludes about \$2.3 billion for a disbursement that Treasury has deemed to have no value and is reduced for the sale of 2.6 billion shares of Citigroup common stock at the rate the common stock was converted from preferred stock.  
Note: This table does not reflect the approximately \$350 million disbursed under the Home Affordable Modification Program.  
Source: Department of the Treasury

# Status of U.S. Government Common Equity and Beneficial Interests in Selected Companies



Note: All percentages are as of July 31, 2010. With the exception of AIG, the percentages relate to TARP and do not reflect other financial instruments held by the U.S. Government in these entities (e.g., warrants and preferred stock). For AIG, the U.S. Treasury is the beneficiary of a trust created by the Federal Reserve Bank of New York.

Source: Department of the Treasury.

# Trend 3: Economic Recovery and Restored Growth

## Related GAO work

- Assessing the effectiveness of **financial and regulatory reform** efforts and plans to ensure the stability of the overall banking, housing, and financial markets.
- Monitoring and evaluating various **federal assistance programs** designed **stabilize U.S. financial markets** and **boost the economy**, including investments in infrastructure and job expansion.
- Continuing to perform our responsibilities under the **Recovery Act**.
- Providing analysis on the functioning of the mortgage market and the ultimate disposition of **Fannie Mae** and **Freddie Mac**.
- Monitoring services to assist **job seekers** and supports for **low-income families**.

# Modernizing The U.S. Financial Regulatory System

## *Financial Regulation: A Framework for Crafting and Assessing Proposals to Modernize the Outdated 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)

# Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The Act was signed into law on July 21, 2010.

Key provisions include:

- Creation of a consumer protection bureau.
- Power to seize and close down large failing firms.
- Most derivative deals will go through central clearinghouses.
- Creation of financial services oversight council.

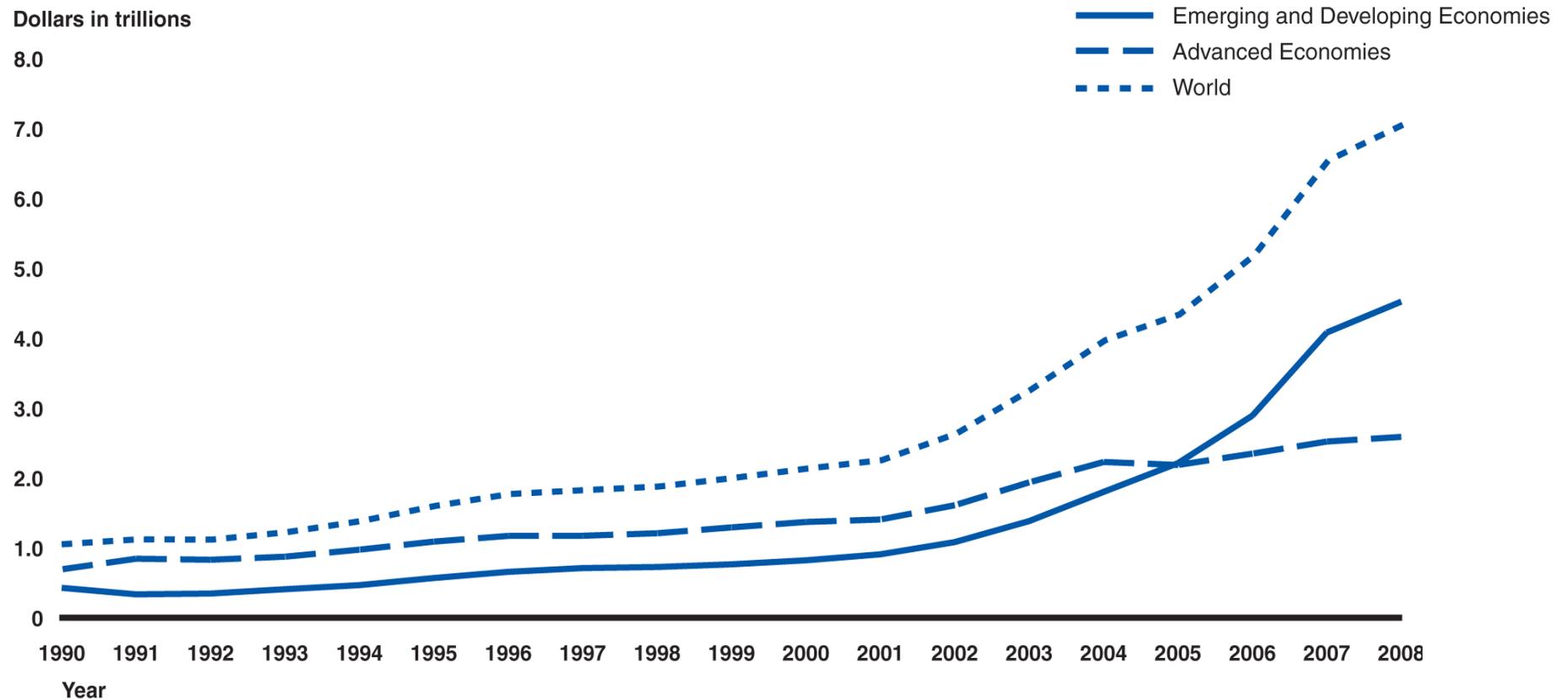
# Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The Act includes 44 mandated studies by GAO including:

- Effectiveness and impact of various appraisal methods.
- Evaluation of adequacy and gaps in state and federal regulation of financial planners.
- Evaluate the role and importance of the GASB in the municipal securities markets and the way the GASB is funded.
- Audit of Federal Reserve emergency credit facilities.
- Efforts to combat mortgage foreclosure rescue scams and loan modification fraud.

# Trend 4: The Changing Dynamics of Global Interdependence

## International Reserves in Developing & Emerging Economies Have Increased More Than Twelfold



Source: GAO analysis of International Monetary Fund data.

# Trend 4: The Changing Dynamics of Global Interdependence

## Related GAO work

- Understanding the effects of a **global supplier base** on U.S. national security interests and evaluating the effectiveness of programs to **protect critical technologies**.
- Evaluating efforts to ensure a **safe food supply**.
- Evaluating the effectiveness of federal programs to prevent, prepare for, and respond to **public health emergencies**.
- Evaluating programs to improve the **U.S. image abroad**.
- Assessing U.S. **export promotion** programs and other **trade-related jobs** creation efforts.
- Analyzing **energy** market regulation, competition, and information.

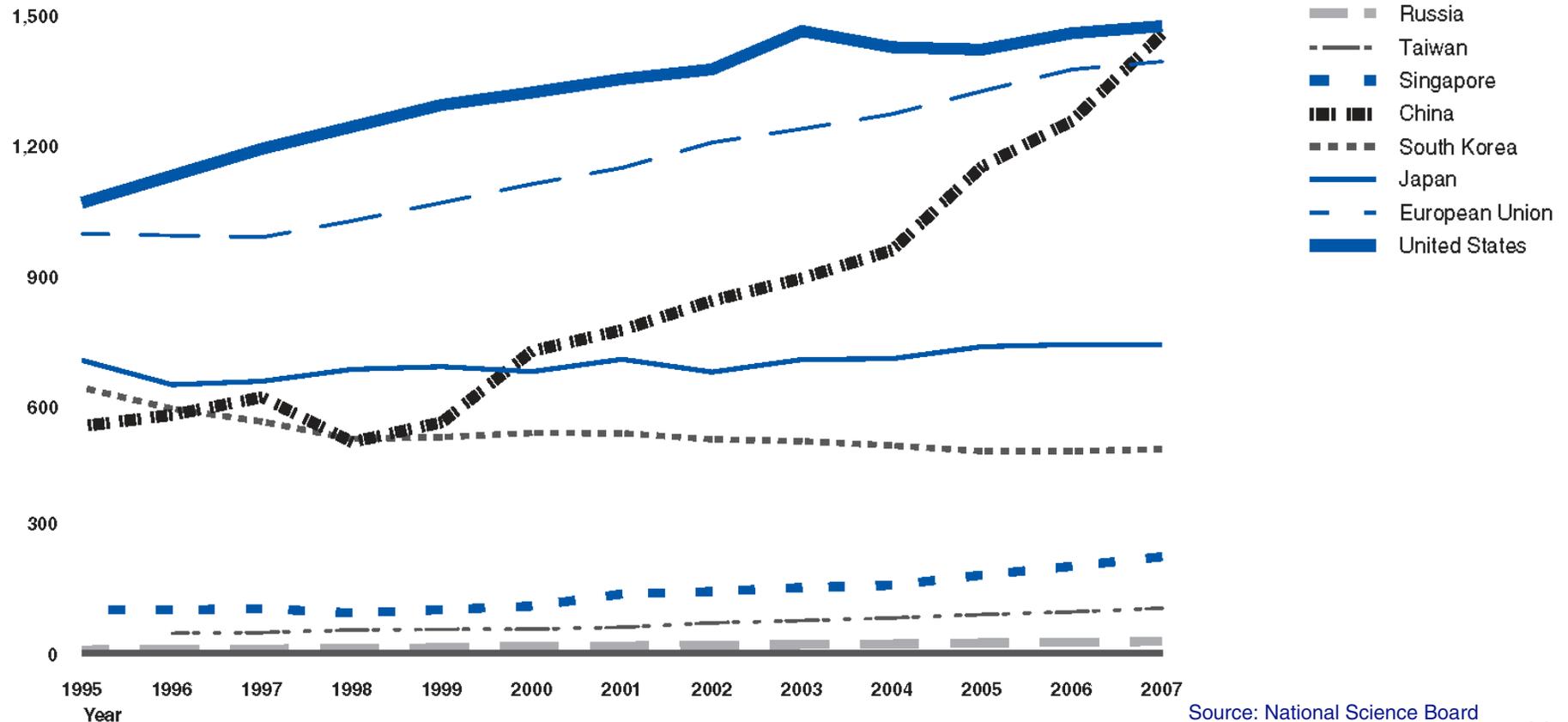
# Trend 5: Advances in Science and Technology

- Nanotechnology
- Biomedical technology
- Information technology
  - Quantum computing
  - Cloud computing
  - Virtualization technologies
  - Health IT

# Trend 5: Advances in Science and Technology

## China Has Caught Up to the United States in Terms of the Number of Scientific Researchers

Full-time equivalents (in thousands)



Source: National Science Board

Note: 2007 data for United States are estimated based on annual growth rate between 1995 and 2006.

# Trend 5: Advances in Science and Technology

## Related GAO work

- Performing specialized studies and **technology assessments** of a wide range of science and technology issues, such as **climate change**, the challenges of developing **sophisticated space and defense systems**, and **green energy**.
- Reviewing the effectiveness of **computer and network security** at federal agencies to better ensure the protection of government and personal information.
- Assessing the government's planning, implementation, and use of **IT**.
- Assessing the management and results of the **federal investment in science and technology** and the effectiveness of efforts to protect **intellectual property**.
- Reviewing federal efforts to turn around **low-performing schools**, to enhance oversight of **charter schools**, and to establish effective **teacher evaluation and compensation** programs.

## Trend 6: Increasing Impact of Networks and Virtualization

- Less-expensive technology that is increasingly more powerful
- Greater prevalence of wireless networks
- More powerful portable devices
- Increased collaboration and sharing at home, in school, and at work
- Consumers are becoming content creators
- Location and time independence (telework, virtual meetings)

# Trend 6: Increasing Impact of Networks and Virtualization

## Related GAO work

- Assessing federal efforts to promote affordable access to **telephone** and **broadband Internet** services.
- Reviewing the management of **government telecommunications** and **interconnected systems** and federal agencies' effectiveness in providing secure, reliable, and fast Internet and Web connections.
- Assessing DHS's efforts to enhance the resiliency of **critical national assets, networks, and systems**.
- Analyzing and supporting efforts to improve the **federal workforce** infrastructure.

## Trend 7: Shifting Roles in Government and Governance

- Evolving roles for the public, private, and NGO sectors
- Contracting
- State and local government
- Non-profit and non-governmental organizations

# Trend 7: Shifting Roles in Government and Governance

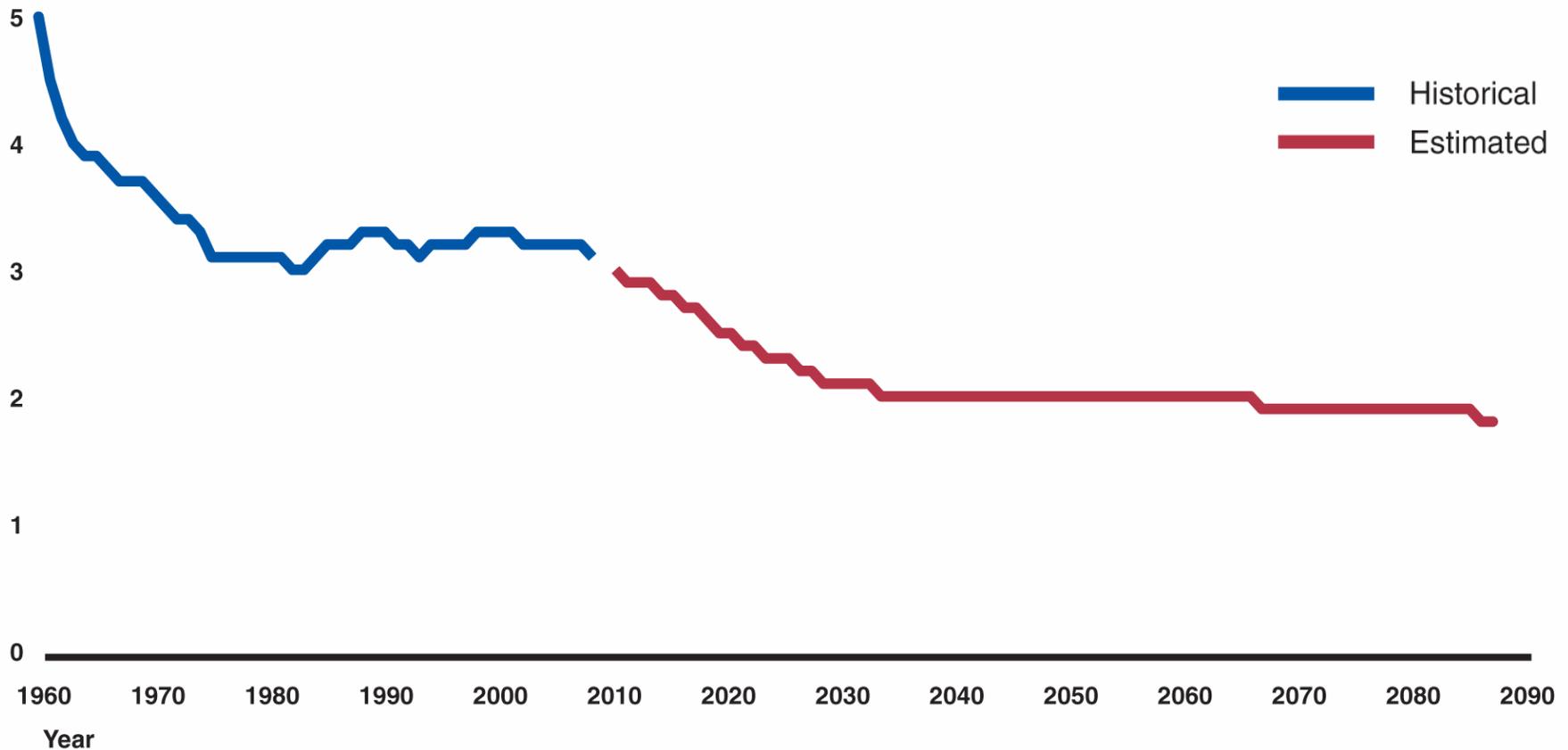
## Related GAO work

- Focusing on major areas that are at **high-risk**, including the **U.S. Postal Service's financial condition**, oversight of **food and drug safety**, and **cybersecurity** efforts.
- Assessing the government's strategy for managing its **reliance on contractors** to ensure that agencies determine the right mix of as well as proper roles and responsibilities for government and contractor employees.
- Identifying ways to **improve the acquisition of goods and services** by federal agencies.
- Identifying opportunities to improve the coordination, collaboration, and governance of **networks of governmental and nongovernmental organizations** to address complex national issues.

# Trend 8: Demographic and Societal Changes Confronting Young and Old

## Fewer Workers Will Be Supporting Each Retiree

Covered workers per OASDI beneficiary (percentage)



Source: Social Security and Medicare Boards of Trustees.

# Trend 8: Demographic and Societal Changes Confronting Young and Old

## Related GAO work

- Supporting **health care financing and reform efforts** through analyses of Medicare, Medicaid, and other health programs.
- Assessing policy and administrative challenges to the federal government in providing for **Americans' financial security in retirement**, as well as options and strategies to help individuals ensure **retirement security** for themselves and their families.
- Assessing financial and administrative challenges to providing **employer-sponsored pensions** and retaining older Americans in the workforce, and their implications for retirement security.
- Evaluating the federal government's efforts to assist communities with **combating crime** and to safely and effectively manage a **growing federal prison population**.

# Other New & Ongoing Work for GAO

- High-Risk List
  - 2010 Census
- Overlap and duplication in government agencies and programs
- Appointing members of health care advisory committees, commissions, and boards
  - Patient Protection and Affordable Care Act
  - Other existing laws

# Commissions/Committees/Boards Appointed by GAO under the Patient Protection and Affordable Care Act (PPACA)

Name	Number and Term	Appointment Date
<b>Advisory Board to Consumer Operated and Oriented Plan (COOP) Program</b>	15 members; Board terminates when it completes duties or by Dec 31, 2015	June 23, 2010
<b>National Health Care Workforce commission</b>	15 members; staggered 3-year terms	September 30, 2010
<b>Governing Board, Patient Centered Outcomes Research Institute (PCOR)</b>	19 members, plus NIH and AHRQ Directors are also members; staggered 6-year terms	September 23, 2010
<b>Methodology Committee, PCOR Institute</b>	Up to 15 members, including AHRQ and NIH Directors	November/December, 2010 (related to timing of establishment of PCOR)
<b>Medicare Consumer Advisory Council</b>	10 members	2014 (related to creation of Independent Payment Advisory Board)
<b>Review Panel for Applicants to State Demonstration Program for developing alternatives to current tort litigation for dispute resolutions for health providers</b>	At least 9 but not more than 13	(related to establishment of program by DHHS)

# Commissions/Committees/Boards Currently Appointed by GAO under Other Laws

Name	Number and Term	Appointment Date/Month
<b>Medicare Payment Advisory Commission (MedPAC)</b>	17 members; staggered 3-year terms	May, annually
<b>Medicaid and CHIP Payment and Access Commission (MACPAC)</b>	17 members; staggered 3-year terms	January, annually
<b>Health Information Technology Policy Committee (HIT)</b>	13 members; staggered 3-year terms	April, annually

# 2011 Yellow Book: Projected Timeframes

## **August 2010:**

- Issue Exposure Draft of 2011 Revision of GAGAS

## **October – November 2010:**

- Comments due on Exposure Draft

## **February - March 2011:**

- Issue 2011 Revision of GAGAS
- Effective date to be determined

# International Coordination

- **Donor Funding Initiative**

- Addresses need to augment and strengthen support to Supreme Audit Institutions (SAIs) in developing countries
- MOU signed in Brussels in October 2009 by INTOSAI and 15 Donors:
  - African Development Bank, European Commission, Inter-American Development Bank, IMF, World Bank, Austria, Belgium, Canada, Ireland, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States

- **INTOSAI Global Financial Crisis Task Force**

- INTOSAI chair asked GAO to lead the Task Force
- GAO hosted kick-off meeting in June 2009
- 25 countries formed 4 subgroups looking at origins of the crisis and how to avoid future crises
- First subgroup reports are expected in June 2010



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## On the Web

Web site: [www.gao.gov/cghome/index.html](http://www.gao.gov/cghome/index.html)

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