

**Government Financial Statements: Assuring Reliable and Complete Financial  
Information for More Effective and Efficient Government**

**Remarks of Gene L. Dodaro, Comptroller General of the United States and Head  
of the United States Government Accountability Office**

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Good day, I am Gene Dodaro, Comptroller General of the United States and head of the Government Accountability Office.

It is an honor to be here for this important event with you today. I appreciate the warm welcome you have given to me.

I wish to express my deep appreciation and gratitude to President Alangari for the opportunity to share this time with you all.

Before I speak on the topic of the conference today, I want to acknowledge the outstanding leadership and longstanding dedication of President Alangari to the International Organization of Supreme Audit Institutions (or INTOSAI).

This leadership includes his role as chairman of the INTOSAI Policy, Finance, and Administration Committee; chairman of ARABOSAI; member of the governing board of both INTOSAI and ASOSAI; co-chairman of the INTOSAI-Donor Cooperation; and member of the board of the INTOSAI Development Initiative.

Through these positions, as well as his leadership of the Saudi Fund for Improved SAI Performance, President Alangari has strongly supported capacity building, knowledge sharing, and best practices for SAIs across the region and across the world.

President Alangari's commitment to leading INTOSAI will continue as the future Chair of INTOSAI. This begins when Saudi Arabia will host the INTOSAI Congress in 2031.

I have long said that leaders of SAIs need to be more than good citizens in their own countries – they also need to be good global citizens.

Working together internationally through organizations like INTOSAI is vitally important as SAIs carry out their duties. In an interconnected world, SAIs will increasingly have to address issues that transcend international borders. SAIs can also learn a lot from each other.

I greatly appreciate and value the productive and collaborative engagement in INTOSAI between GAO and the General Court of Audit on many matters of shared interest. I likewise appreciate and value the commitment all of you have made to public service.

As public sector accountability professionals, you have a unique and important opportunity to serve the best interests of your government and the people of Saudi Arabia.

Let me now turn specifically to the topic of this event. I am pleased to share our experiences at the GAO. I hope they will provide useful insights that may inform your own work.

As you all know, having reliable and complete information in Government Financial Statements is extremely important for effective and efficient government. Unreliable or incomplete financial and performance information can lead to difficulty in making the most appropriate policy or operating decisions. This can have serious consequences.

SAIs play an important role in assuring the reliability and completeness of those financial statements. This is essential to ensuring accountability and transparency for government operations.

The adoption of international public sector accounting standards that rely on accrual accounting is an important step to providing a clearer picture of a government's financial position and to inform decision-making.

A successful transition to accrual-based accounting based on international standards can help promote transparency and accountability, while also enhancing control and sound stewardship of public resources.

Accurate and complete consolidated information about the government's assets and liabilities can help inform strategic planning, credit ratings, and international benchmarking.

In our experience, we have found that these opportunities are often accompanied by challenges. I hope that sharing our journey will help you as your own government makes this transition. Our experiences with the financial management reform efforts in the United States has helped GAO to identify several key areas that are important to assuring reliable and complete financial information for more effective and efficient government.

These challenges relate to areas such as

- Managing change—both internally and externally;
- Ensuring that your staff and your government's financial managers have the appropriate training, resources, and information technology to fulfill their mandates;
- Obtaining and maintaining reliable, timely, and valid information on account balances, assets, liabilities, and inventories; and
- Addressing inconsistencies across government entities in the presentation, transparency, and disclosure of financial information.

As I turn to provide some lessons learned from our experience in the United States, I will first provide some historical context.

In the year 1990, the United States enacted the Chief Financial Officers Act, or CFO Act, which enacted mandatory reforms to address longstanding and significant financial management problems.

Prior to this legislation, GAO and other government auditors had found that the federal government had lost billions of dollars through fraud, waste, abuse, and mismanagement. These challenges often related to unreliable financial information. This unreliable financial information was due to weaknesses with internal controls for financial reporting, as well as obsolete and inefficient financial management systems.

The reforms under the 1990 CFO Act and related laws were therefore designed to provide direction and leadership by newly created Chief Financial Officers established for all major departments and agencies. Their responsibilities are to

- develop modern financial management structures,
- curtail the billions of dollars lost each year from fraud, waste, abuse, and mismanagement of public funds, and
- improve the accuracy and reliability of the government's financial reporting practices.

There was another important goal that came along with these reforms — a clearer picture of the cost of operating the government. These costs, combined with performance information, could also facilitate more efficient management of government programs.

In 2020, GAO issued a comprehensive report on progress in federal financial management and challenges that remain 30 years after passage of the CFO Act.

I will now briefly describe nine key lessons from this work that may be useful to you as you fulfill your current and future responsibilities.

The first two — LEADERSHIP and APPROPRIATE STANDARDS provide the foundation for everything I will discuss today.

With respect to LEADERSHIP, executive-level leadership throughout government is critical for the control and accountability needed to support financial management, reporting, and performance.

Our work at GAO shows that government-wide leadership is essential to establish direction, develop policies, and implement a strategic financial management plan.

In the United States, responsibility for government-wide financial management rests with the Office of Management and Budget within the Executive Office of the President.

Within that office, a position of Controller was established to manage government-wide financial operations. This placed responsibility at a very senior level of government for establishing government-wide financial management policies of individual executive agencies and implementing the financial management functions of the CFO Act, among others.

The United States Department of the Treasury also plays critical and relevant leadership roles across government. One of the Treasury Department's responsibilities is developing and updating guidance and tools to support financial reporting, such as a financial manual and a standard general ledger, as well as technical guidance for standardizing federal agency accounting.

The Treasury also coordinates with the Office of Management and Budget to prepare the annual Financial Report of the United States Government. This includes the government-wide financial statements and consolidated financial information for over 160 government agencies.

The CFO act also established a CFO position for each major agency. The CFOs should be in an agency's top management team, with the authority and responsibility to implement financial management strategic plans.

CFO responsibilities include (1) developing and maintaining integrated accounting and financial management systems; (2) directing, managing, and providing policy guidance and oversight of all agency financial management personnel, activities, and operations; and (3) overseeing the recruitment, selection, and training of personnel to carry out agency financial management functions.

GAO still found opportunities to further improve the financial management system, even with all these changes in place. In our 2020 report, GAO recommended Congress consider adopting new legislation requiring CFOs at each agency to provide leadership for all the responsibilities necessary to carry out federal financial management activities. This would include the formulation and execution of the budget, planning and performance, risk management, internal control, financial systems, and accounting.

The SECOND area relates to FINANCIAL REPORTING AND ACCOUNTING STANDARDS.

Appropriate standards are the foundation for sound financial reporting and an accrual-based financial reporting system. In the United States, the framework for financial reporting involves complementary efforts of GAO and an independent Federal Accounting Standards Advisory Board established in 1990 by GAO, OMB, and the Treasury Department.

The Board serves the public interest and promotes accountability by improving financial reporting through standards and guidance that reflect the needs of internal and external users of financial information.

Its 9 members include GAO's Chief Accountant, executives from the United States Office of Management and Budget and Treasury Department, former executives from private sector accounting firms, and representatives of the private sector and the academic community.

The Board produces and maintains standards and pronouncements that serve as the most authoritative source of generally accepted accounting principles for our federal government. These include 10 fundamental concepts and 64 standards covering all areas of federal financial management.

These concepts and standards apply to the financial statements of individual government agencies and those of the entire government. They also cover both accrual-based financial statements and sustainability financial statements.

These concepts and standards complement the Generally Accepted Government Auditing Standards that GAO develops and maintains. The Board's concepts and standards provide the foundation for federal agencies to ensure transparency and accountability in financial reporting. Our standards, on the other hand, provide the foundation that enables auditors to conduct audits that reflect the highest degree of integrity and accountability.

The GAO standards address financial audits, attestation engagements, and performance audits, and include specific requirements for the integrity and accountability of auditors and audit organizations.

GAO adheres to these standards in its work and ensures adherence through a variety of quality assurance and quality control mechanisms, including internal inspections and external peer review. The GAO standards also guide the work of Inspectors General across our federal government. State, local, and other public sector auditors also use these standards.

Before adoption of the CFO Act in 1990, federal government agencies did not have a standardized reporting format to present operational and performance information.

In addition, federal government agencies did not (1) accurately disclose the current and probable future cost of operations, (2) facilitate adequate comparison of actual costs among agencies, or (3) provide the timely information required for efficient program management.

At that time, financial reports focused on obligations and outlays, which tracked when an item was ordered and when the bill was paid. This type of accounting, known as budgetary or cash accounting, records receipts when cash is received and outlays when cash is disbursed. Although crucial for tracking agencies' use of their appropriated funds, budgetary accounting alone did not provide a consistent and reliable measure of the costs of carrying out government programs.

One advantage of accrual-based accounting is that it can provide policymakers and management with more consistent and complete information.

This is partly because it recognizes revenue in the period when it is earned and costs in the period incurred, without regard to when cash is received or disbursed. This provides a better matching of costs to the production of goods and services. Accrual accounting also provides a more complete picture of long term liabilities.

The THIRD key area is having an effective FINANCIAL MANAGEMENT WORKFORCE.

Successful financial management requires a professional workforce with the appropriate training, skills, and technology.

This requires government organizations to continuously invest in human capital to keep pace with best practices and emerging technologies.

Technology has automated many financial management activities. As these technologies advance, staff may need additional training to provide other value-added services, such as analyzing data and advising decision-makers.

At GAO, we have recommended that our government's strategic financial management plans need to include comprehensive, long-term workforce plans. These workforce plans would help ensure that the financial management workforce has the appropriate skills, training, and tools.

The FOURTH lesson involves FINANCIAL MANAGEMENT SYSTEMS.

Specifically, our work has highlighted the importance of integrated accounting and financial management systems with appropriate reporting and internal control mechanisms.

These systems need to have complete, reliable, consistent, uniform, and timely information.

Moreover, this information must help the government and its policy-makers make appropriate investments, provide effective management, and evaluate government programs.



In the United States, a law enacted in 1996 requires CFOs to implement and maintain financial management systems that comply with relevant requirements, the standard general ledger, and federal accounting standards.

This law also requires CFOs and the auditors of their financial statements to report annually on whether agency financial management systems complied with these three requirements.

In 2023, 16 of 24 major federal agencies reported that their financial management systems did substantially comply with at least one of the requirements. But 8 did not. We called for continued vigilance and reform in this area.

Our government's IT systems—which include financial management systems—generally run on outdated systems, involve costly and difficult maintenance, and sometimes lack reliable information.

Similarly to our recommendation on workforce planning, we have recommended that the federal government needs a long-term plan to address information technology and cybersecurity challenges.

The FIFTH lesson involves EFFECTIVE INTERNAL CONTROLS.

Effective internal controls over financial reporting are critical to provide management with reasonable assurance that financial management information is reliable and complete. Effective internal controls in this area rely on:

- Government-wide internal control standards and guidance
- Regular management assessments and reports on the effectiveness of internal controls in mitigating financial management risks
- Processes and procedures for timely identification and response to changes in financial management risks, especially during emergencies
- Independent testing of the effectiveness of internal controls, and

- Ongoing compliance with government internal control standards.

Federal agencies are required to comply with internal control standards developed by GAO, and to annually report on their effectiveness.

GAO is updating these standards to more specifically address risks related to information security, improper payments, and fraud prevention.

Focusing on fraud prevention -- rather than detection after the fact -- should enhance efficiency, save our government substantial sums of money, and enable financial management professionals to make the best use of their time and resources.

The magnitude of the risks and costs from inadequate internal controls is extraordinary.

For example, within our government, estimates of improper payment totaled 236 billion US dollars in 2023.

Since fiscal year 1997, we have reported, as a material deficiency or weakness, the federal government's inability to determine the full extent to which improper payments occur and to reasonably assure that appropriate actions are taken to reduce them.

Recent history has shown that times of crisis amplify and compound these risks, especially when the government must respond to public health emergencies, natural disasters, and catastrophic events.

These events often involve government responses that provide money and other resources to individuals, businesses, and other entities. In many cases, these responses require rapid distribution of funds to those in need, which strains the ability of government to provide effective control.

This was especially problematic in the response to the COVID-19 Pandemic. During this period, there was an increase in the frequency, volume, and sophistication of fraud, particularly in the areas of unemployment insurance and assistance to small businesses.

To address such issues, GAO developed a framework for preventing fraud. Our government agencies must now use this framework to address and prevent losses from fraud that we believe total hundreds of billions in US dollars each year. We also developed lessons learned for dealing with improper payments in emergency assistance programs.

I want to highlight that internal control problems, improper payments, and fraud also relate to the technology and cybersecurity challenges I previously mentioned.

Our work shows that longstanding, serious, and widespread information security and cybersecurity deficiencies place our government at risk of inadvertent or deliberate misuse of federal assets, unauthorized modification or destruction of financial information, inappropriate disclosure of sensitive information, and disruption of critical operations.

Back in 1997, I put information security on GAO's high risk list of government programs that face high risk of fraud, waste, abuse, mismanagement or that need fundamental transformation. In 2003, we added the need to protect critical infrastructure across our country. Since then, our Congress has passed several significant legislative reforms. However, our government struggles to improve security commensurate with rapidly evolving serious threats.

The SIXTH area I will address focuses on AUDITS OF FINANCIAL STATEMENTS. These audits are critical for the independent assessment of the reliability of financial information and the effectiveness of internal controls.

The U.S. federal government includes over 160 component entities/agencies. Most federal component agency financial statements are audited or subject to audit.

In the United States, the GAO and Inspectors General from the agencies in our government collaborate in developing and maintaining a financial audit manual to ensure consistency in our audits across our government.

Typically, federal agencies procure audits from independent public accountants under the direction of the relevant Inspector General, although some Inspectors General conduct their own audits.

GAO audits the government-wide financial statements. The government-wide audit focuses on 40 significant agencies, representing about 99 percent of the government's assets, liabilities, revenues, and net cost.

19 of 24 agencies under the CFO Act received clean audit opinions in fiscal year 2023. That's up from only 6 agencies receiving clean opinions in fiscal year 1996.

However, serious problems still remain. For example, the Department of Defense has never received a clean audit opinion due to serious financial management problems and related material weaknesses.

Nonetheless, substantial benefits have been achieved as a result of the preparation and audit of financial statements, including:

- Greater insight into government operations and financial conditions.
- Increased accountability to the Congress and citizens through assurance of financial information.
- Enhanced confidence among key stakeholders, including government officials, taxpayers, consumers, and regulated entities.
- Better information on the reliability and effectiveness of systems, internal controls, and deficiencies that lead to fraud, waste, and abuse.
- Corrective actions that address deficiencies.
- Improved detection of emerging financial management issues. And
- Mitigation of noncompliance with laws and regulations.

We have seen that annual audits of financial statements create the discipline, motivation, and incentives required to improve financial information. These audits also

assist government financial managers in their efforts to provide effective oversight of public resources that aligns with the public interest.

The final 3 areas I will cover with you today relate to reporting that goes beyond traditional financial statements themselves.

One area involves KEY FINANCIAL MANAGEMENT INFORMATION necessary to prepare reports for more effective financial management and decision-making

Examples of this type of information include:

- Costs and revenues categorized by relevant government units, programs, and projects
- Integrated performance and financial information that facilitates assessments of effectiveness and efficiency, and
- Data on spending and improper payments.

We find this information useful in addressing programs that face elevated risks of fraud, waste, abuse, mismanagement or that need transformation.

It can also help address challenges with the economy, efficiency, or effectiveness of government programs, especially in areas such as management of assets, grants, and real property.

This is why we recommended that the Congress adopt legislation that requires the head of each government agency to identify and develop the critical financial management information needed for effective management and decision-making.

We also recommended requiring these officials to provide an annual assessment and conclusion on the effectiveness of internal controls while also requiring their auditors to test and report on relevant internal controls.

A second area involves REPORTING ON FISCAL SUSTAINABILITY. For the past 20 years, GAO has focused on long-term fiscal challenges associated with our national debt and the ratio of this debt to our Gross Domestic Product.

The U.S. government-wide financial statements present fiscal sustainability reporting for both the government as a whole and for the major social insurance and health care programs like Social Security and Medicare, covering projected cash flows over a 75-year period. This sustainability reporting is based on the continuation of current policy and law.

The Statement of Long-Term Fiscal Projections presents the discounted revenues and spending for the federal government as a whole, in dollars and as a percentage of the present value of GDP. The GAO, Congressional Budget Office, and the government-wide sustainability financial statements provided by the Treasury Department all project that the government is on an unsustainable long term path with debt growing faster than GDP.

Since 2017, we have stated that Congress should develop a fiscal plan to place the federal government on a sustainable fiscal path and ensure that the United States remains in a strong economic position to meet its social and security needs, as well as to preserve flexibility to address unforeseen events. The long-term fiscal plan should include fiscal rules and targets, such as a debt-to-GDP target, and identify key considerations for the design, implementation, and enforcement of fiscal rules and targets.

In developing a fiscal plan, policymakers will need to consider the entire range of federal activities that affect the debt. This includes both revenue (including tax expenditures) as well as spending (including entitlement programs, other mandatory spending, and discretionary spending). GAO provides additional information through an annual report on the fiscal health of the federal government, which provides more information on the federal government's unsustainable long-term fiscal path.

The FINAL type of reporting I want to highlight pertains to PERFORMANCE REPORTING. This type of reporting includes a comparison of financial information on costs to nonfinancial information on performance to assess the overall efficiency and effectiveness of the government.

The United States has laws that require results-oriented management based on a performance planning and reporting framework. This framework focuses on goals, results, planning, and program execution.

Throughout my tenure as Comptroller General, I have emphasized the importance of proper planning and performance reporting across our government.

This includes providing our Congress and government agencies with insights, resources, and examples of best practices that can enhance the economy, the efficiency, and the positive impact of government programs.

Congress also included provisions in the CFO Act that called for U.S. federal agencies to develop and maintain integrated accounting and financial management systems. These systems should provide for, among other things, systematic measurement of performance and the development and reporting of cost information.

I have also focused on leading by example through GAO's own strategic plan and annual performance and accountability report.

Our strategic plan focuses on the most important issues facing our government and society. These include

- Ensuring the well-being and financial security of Americans
- Identifying and addressing national security threats and challenges
- Transforming the federal government, and
- Maximizing GAO's value as an institution

Effective and independent SAIs are critical to helping ensure a sound public sector financial management system. An effective SAI must also be able to attract, retain, and support a diverse and multidisciplinary workforce with skills and experience aligned with its mission.

This reflects my belief that people are our most valuable resource. This is why I established GAO's people values to convey the importance that every employee feels valued, respected, and treated fairly.

For the fourth consecutive year, GAO has been recognized as the best place to work in the US government for agencies our size. Our commitment to people means we can retain our talented staff, while also attracting and recruiting new staff that help us fulfill our mandate and meet the needs of our Congress and citizens.

Investing in people enables GAO to provide our Congress and citizens with timely, relevant, fact-based, and independent findings and recommendations that embody our core values of accountability, integrity, and reliability.

Investing in people also enables them to deliver a positive impact.

I will close with a note on the importance of a SAI being able to demonstrate its value to the government and citizens.

For example, GAO's performance and accountability report for 2023 showed that our work resulted in:

- More than 70 billion dollars in financial benefits for the U.S. federal government. This equates to a return of 84 dollars for every dollar invested in us.
- Over the past six years, the average return on investment is 133 dollars in benefits for every dollar invested in GAO.
- In addition to financial benefits, we documented more than 1,200 other benefits that reflect changes based on our recommendations. These changes include improvements in public health and safety, national security, cybersecurity,



protections for children and other vulnerable populations, emergency preparedness and response, programs for military veterans, and many other programs across our government that are important but cannot be measured in dollars.

I provide these examples to illustrate the many positive impacts that public sector accountability professionals can achieve through our work in fulfilling our responsibilities in the best interest of our governments and citizens.

In closing, I would like to extend my gratitude to President Alangari and all members of his staff for the opportunity to spend time with you and share these reflections.

I wish all of you, your colleagues, and your families all the very best. I hope you find the remainder of today's program productive and informative.

Thank you for your time and attention and good day to you all.