

How the Financial Management Community Could Help Address Major Management Challenges

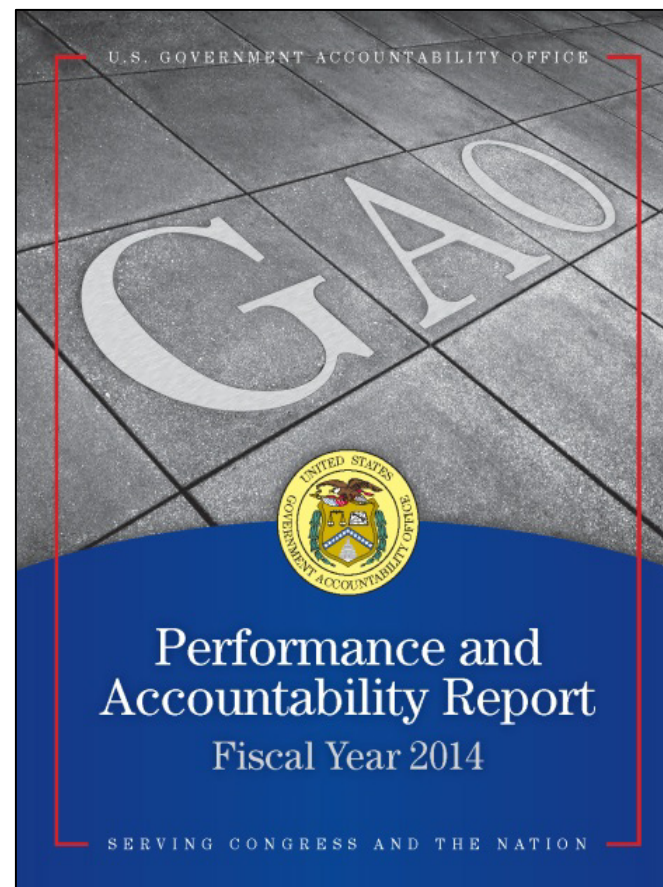
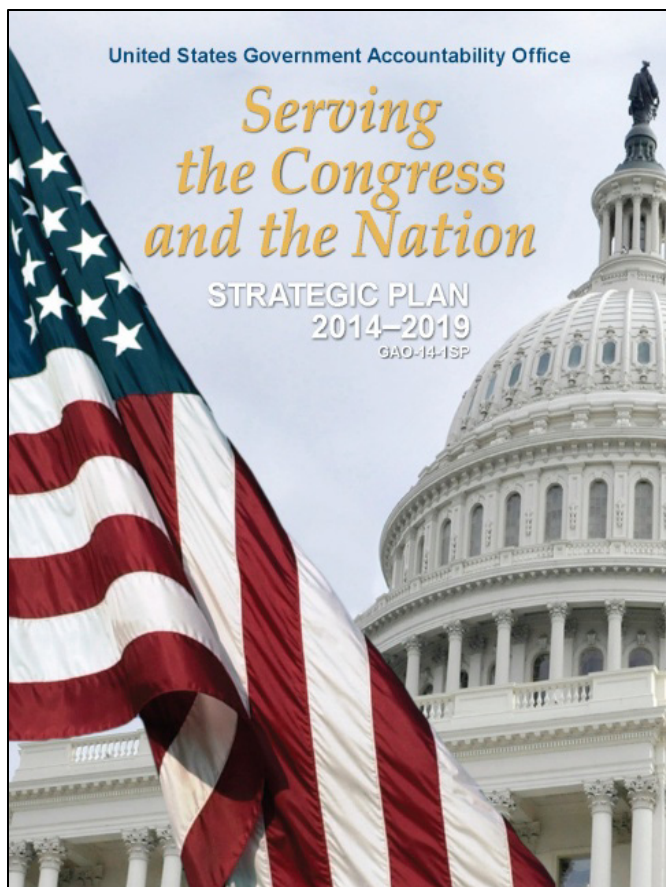
**Association of Government Accountants
Professional Development Training
Nashville, TN, July 13, 2015**

**Gene L. Dodaro
Comptroller General of the United States**

OVERVIEW

- Overall trends shaping the federal environment
- Fiscal Sustainability: issue for all levels of government
- Important Roles for the Financial Management Community

GAO's Planning & Performance Documents

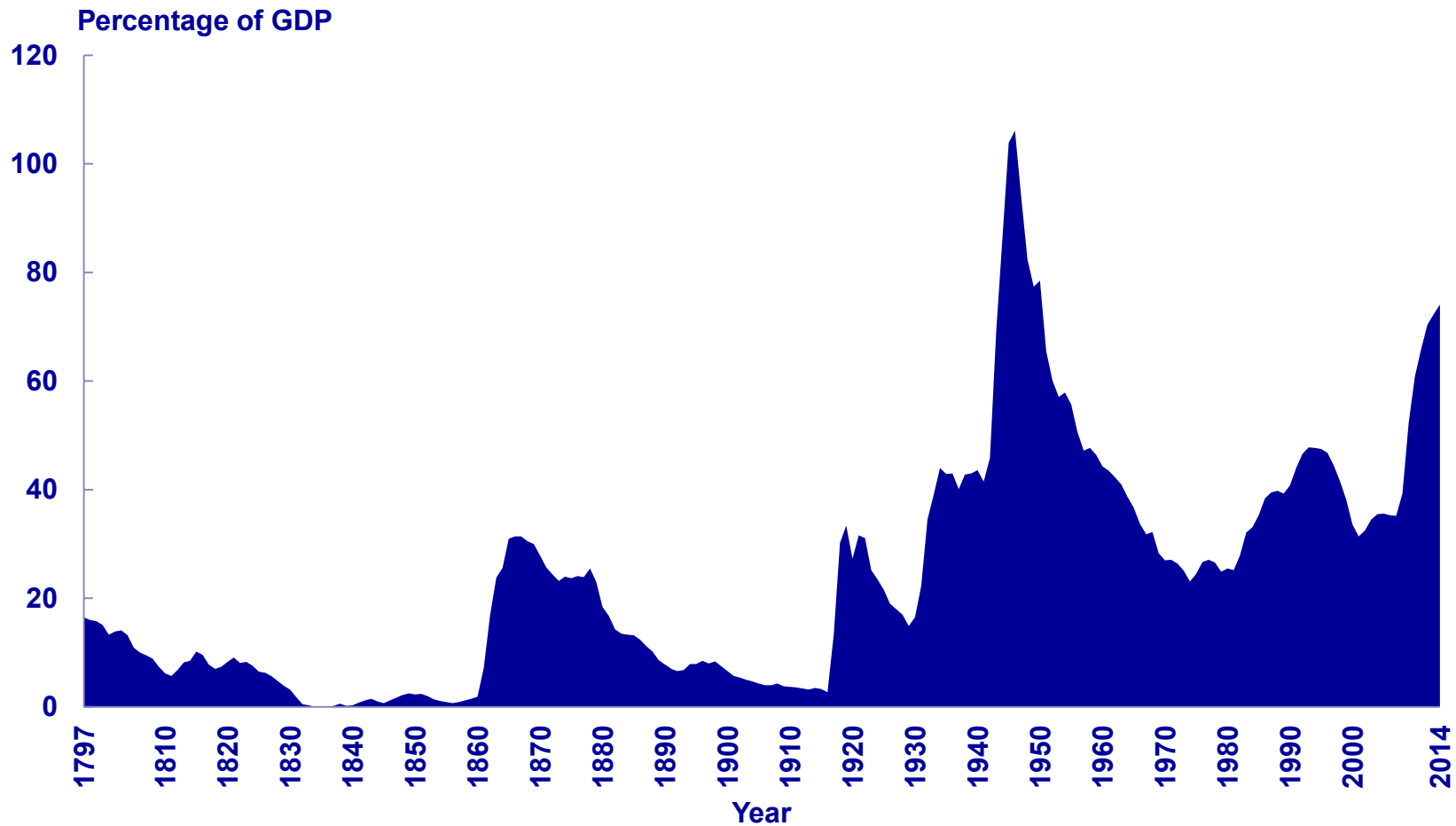


www.gao.gov/sp.html

Trends Shaping the Federal Environment

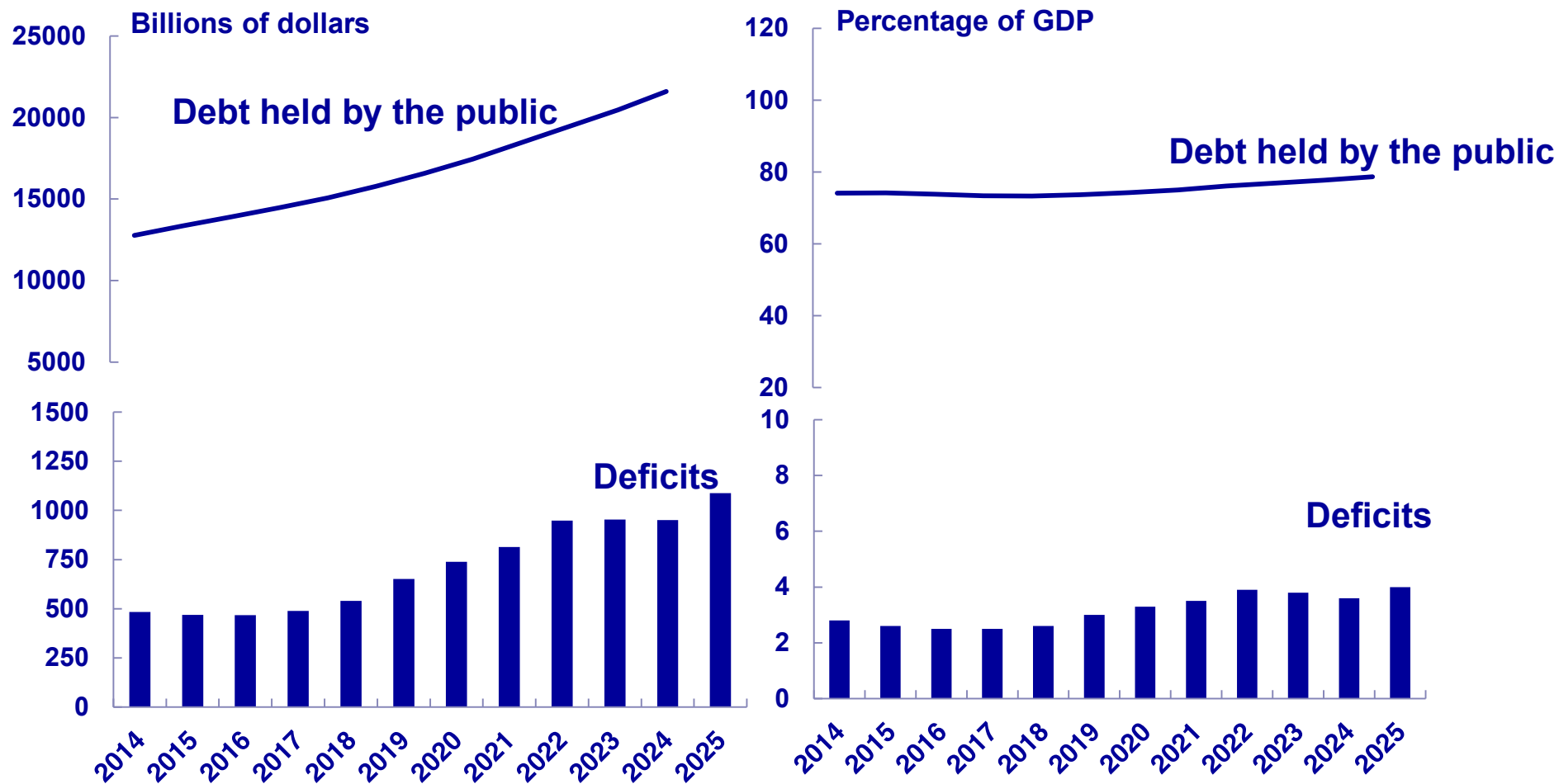
- Threats Confronting U.S. National Security Interests
- Changing Dynamics of Global Interdependence and Multilateral Cooperation
- Science and Technology Trends
- Advances in Communications Networks and Information Technologies
- Shifting Roles in Governance and Government
- Demographic and Societal Changes
- Fiscal Sustainability and Debt Challenges

Federal Debt Held by the Public as a Share of GDP (1797-2014)



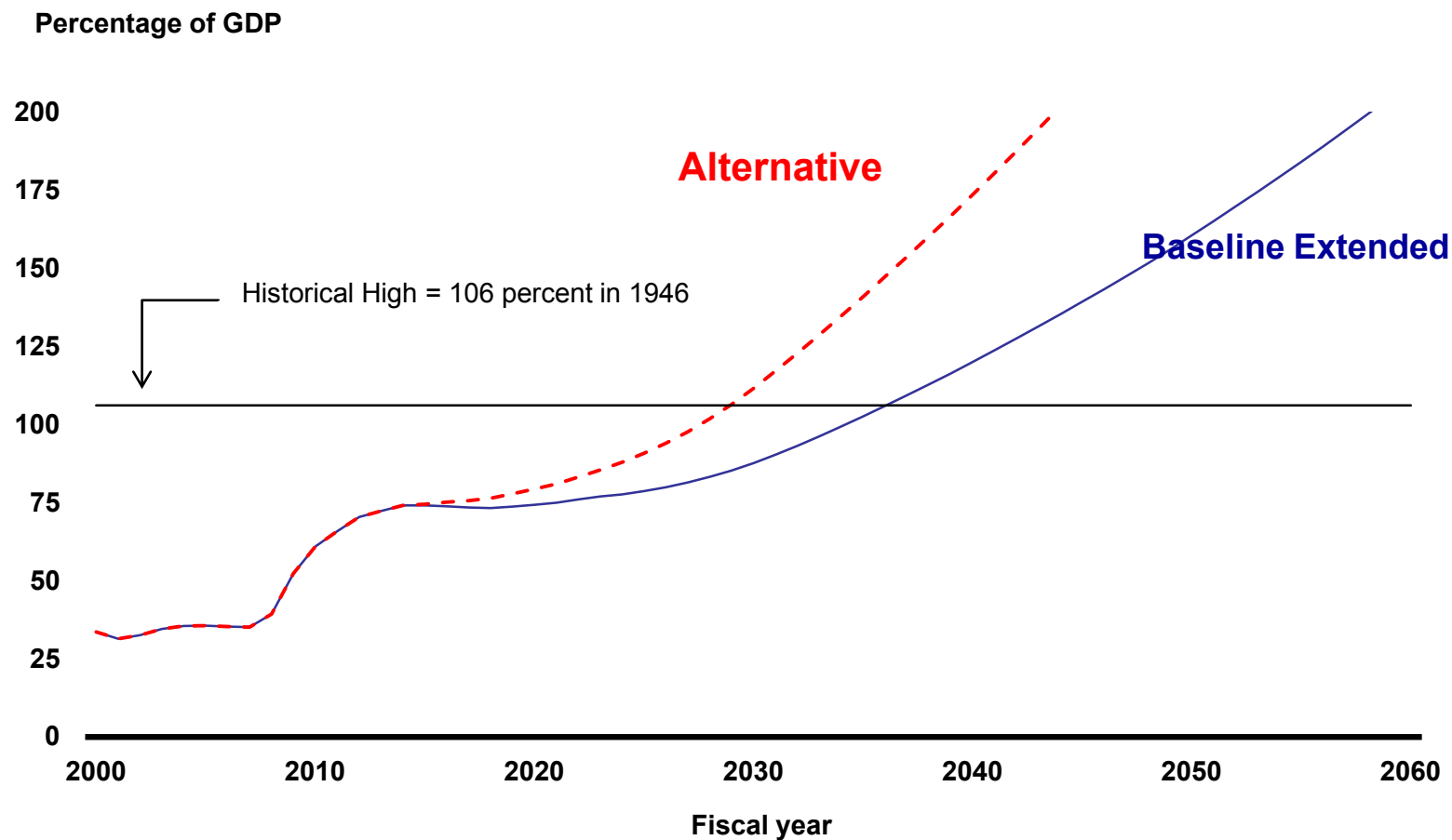
Fiscal Sustainability and Debt Challenges

Deficits and Debt Held by the Public Under CBO's January 2015 Baseline



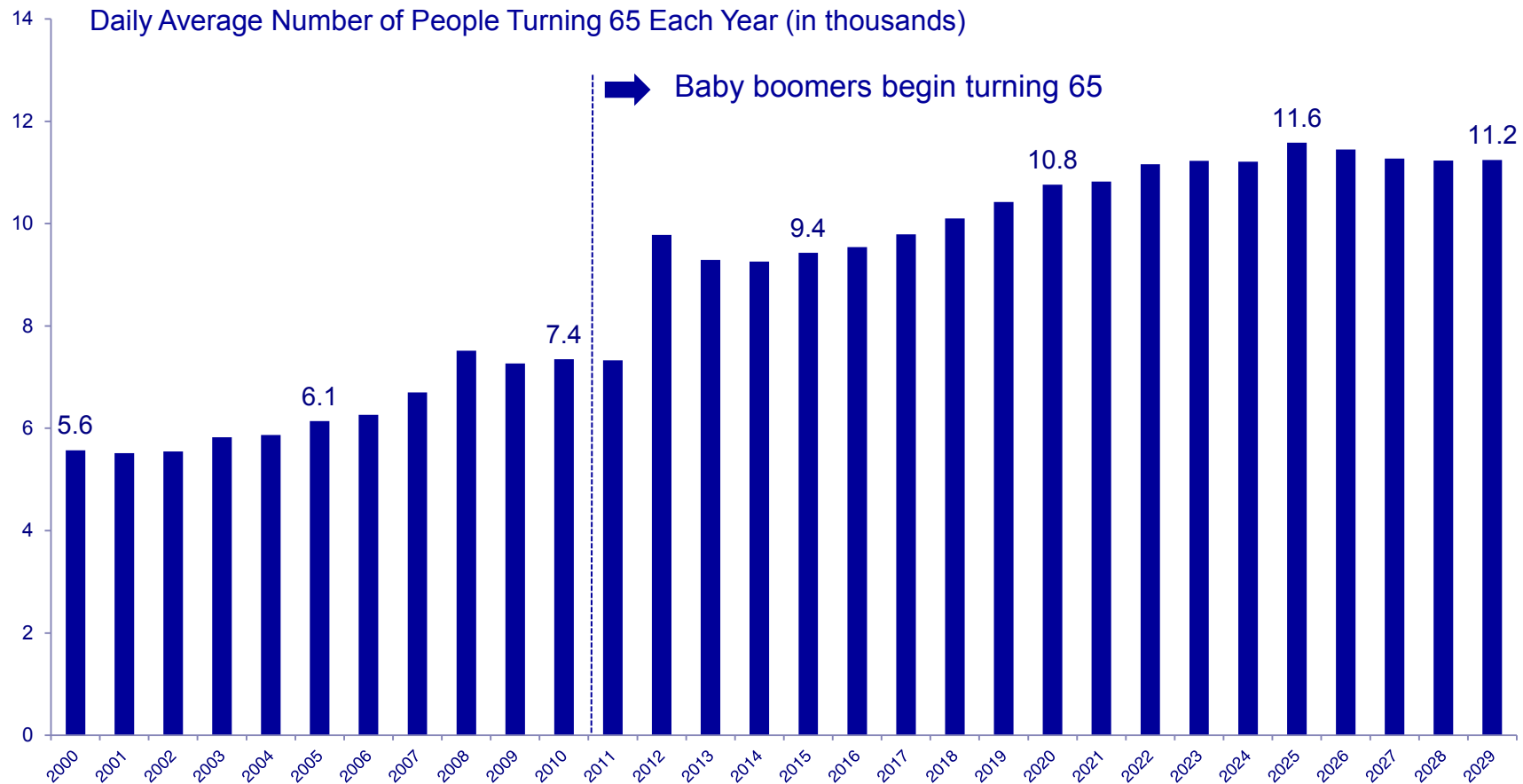
Fiscal Sustainability and Debt Challenges

Debt Held by the Public under Two Fiscal Policy Simulations



Demographic and Societal Changes Confronting Young and Old

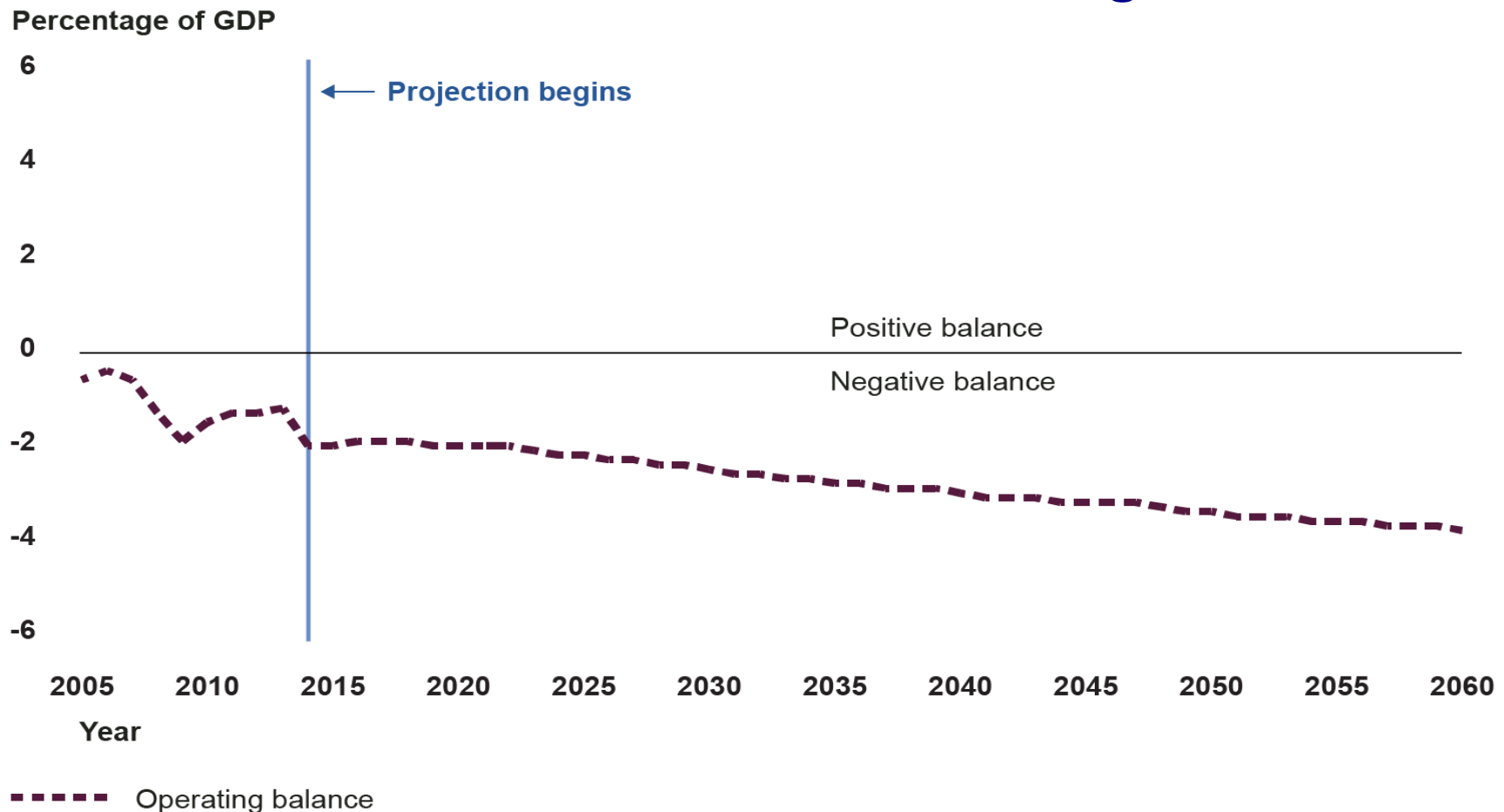
Large Numbers of Baby Boomers Eligible to Retire in Next 5 Years



Source: GAO analysis of U.S. Census Bureau data.

Fiscal Sustainability and Debt Challenges

State and Local Governments Face Increasing Fiscal Challenges



Sources: GAO calculations using Bureau of Economic Analysis data and GAO simulations, updated December 2014. | GAO-15-224SP

Note: Historical data from 2005 to 2013 are from the Bureau of Economic Analysis's National Income Product Accounts. Our simulations are from 2014 to 2063, using many CBO projections and assumptions, particularly for the next 10 years.

Important Roles for The Financial Management Community

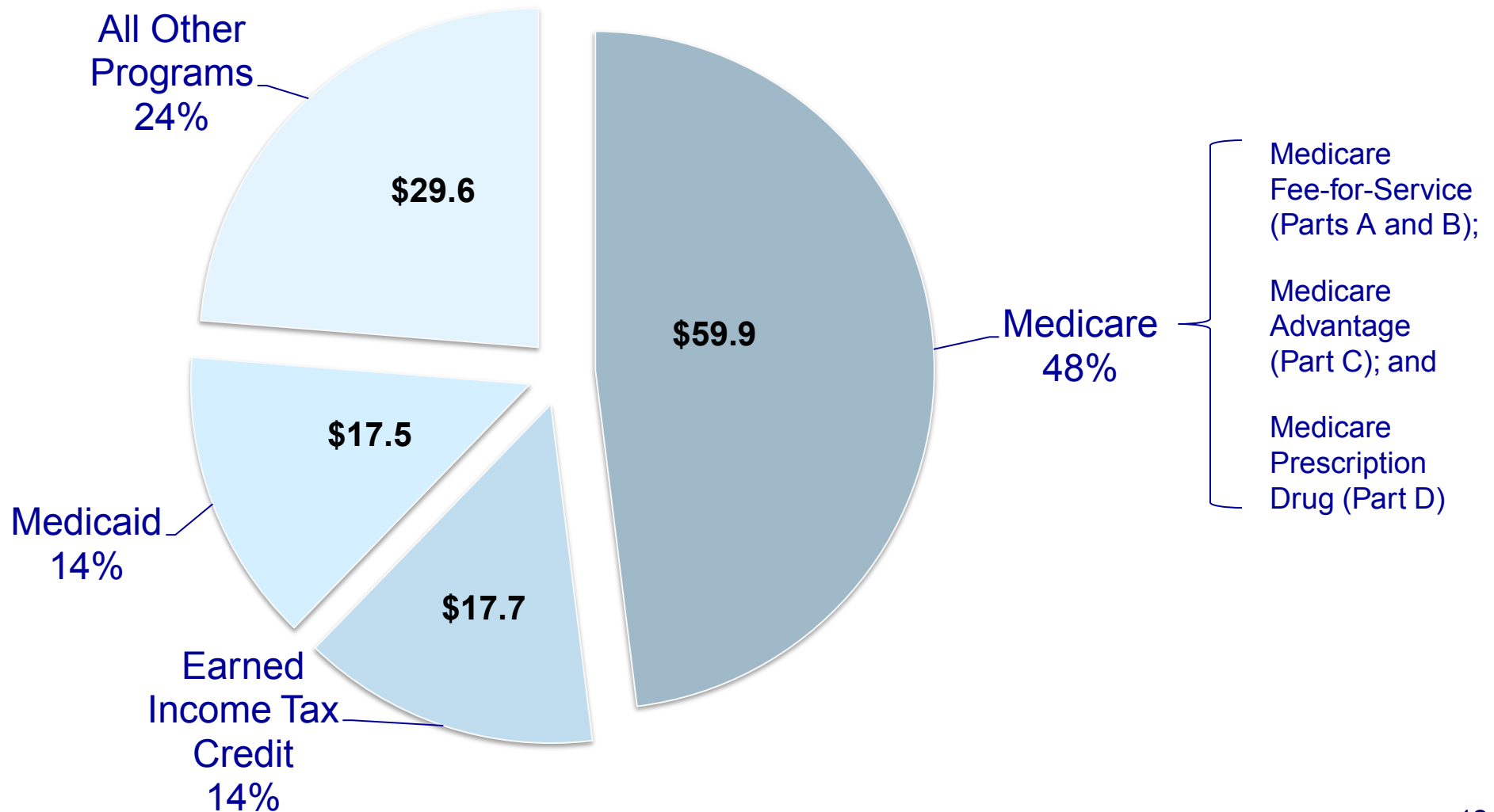
- Improper Payments
- DATA Act
- High Risk Issues
- Financial Accountability
- Fragmentation, Overlap and Duplication
- Internal Controls

Improper Payments

- FY 2014 estimate: **\$124.7 billion**
 - About **\$19 billion** increase from FY 2013
- FY 2014 estimate covers 124 programs at 22 agencies
- No estimate developed for the Temporary Assistance for Needy Families program
- Higher error rates in 3 major programs drove the increase

Improper Payments (FY 2014)

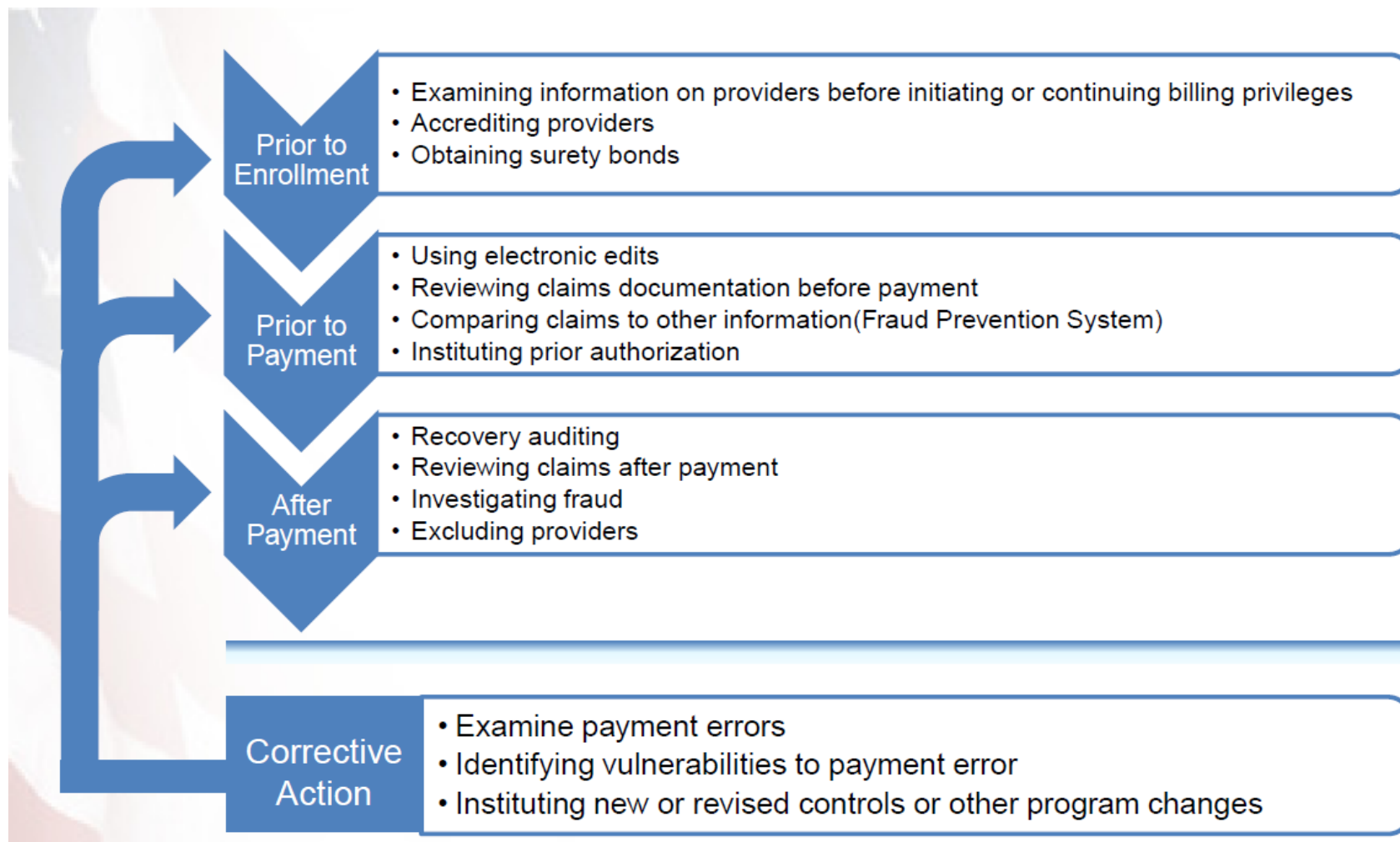
Dollars shown in Billions



OMB and Treasury Have Committed to Actions to Address Improper Payments

- Do Not Pay initiative
- Revision to OMB's improper payment guidance
 - more detailed reporting through expanded improper payment categories
 - emphasis on internal control
- Request for four agencies with the highest improper payments to implement portions of revised guidance early
- Analysis and follow-up on IG reports on agencies' noncompliance with Improper Payments Elimination and Recovery Act of 2010 for fiscal year 2014

Reducing Medicare Fee-for-Service Improper Payments: Points of Intervention



Reducing Medicaid Improper Payments: GAO Recommendations

- Centers for Medicare & Medicaid Services should:
 - require states to conduct audits of payments to and by managed care organizations
 - provide guidance and support efforts to monitor and share information on third-party liability challenges across states
 - strengthen efforts to calculate return on investment for program integrity activities

Reducing Earned Income Tax Credit Improper Payments

Recommended actions:

- regulate paid tax preparers to help improve the accuracy of tax returns they prepare
- accelerate W-2 filing deadlines to facilitate the use of earnings information to detect noncompliance
- broaden math error (or “correctable error”) authority to allow IRS to address certain erroneous claims with unsupported wages

DATA Act (Digital Accountability and Transparency Act): Implementation

- Effective implementation holds great promise
 - enhance transparency and oversight
 - improve federal management and decision-making
- First 23 of 57 planned data standards issued by OMB and Treasury – all expected by early fall 2015
- GAO's oversight strategy and work with the accountability community

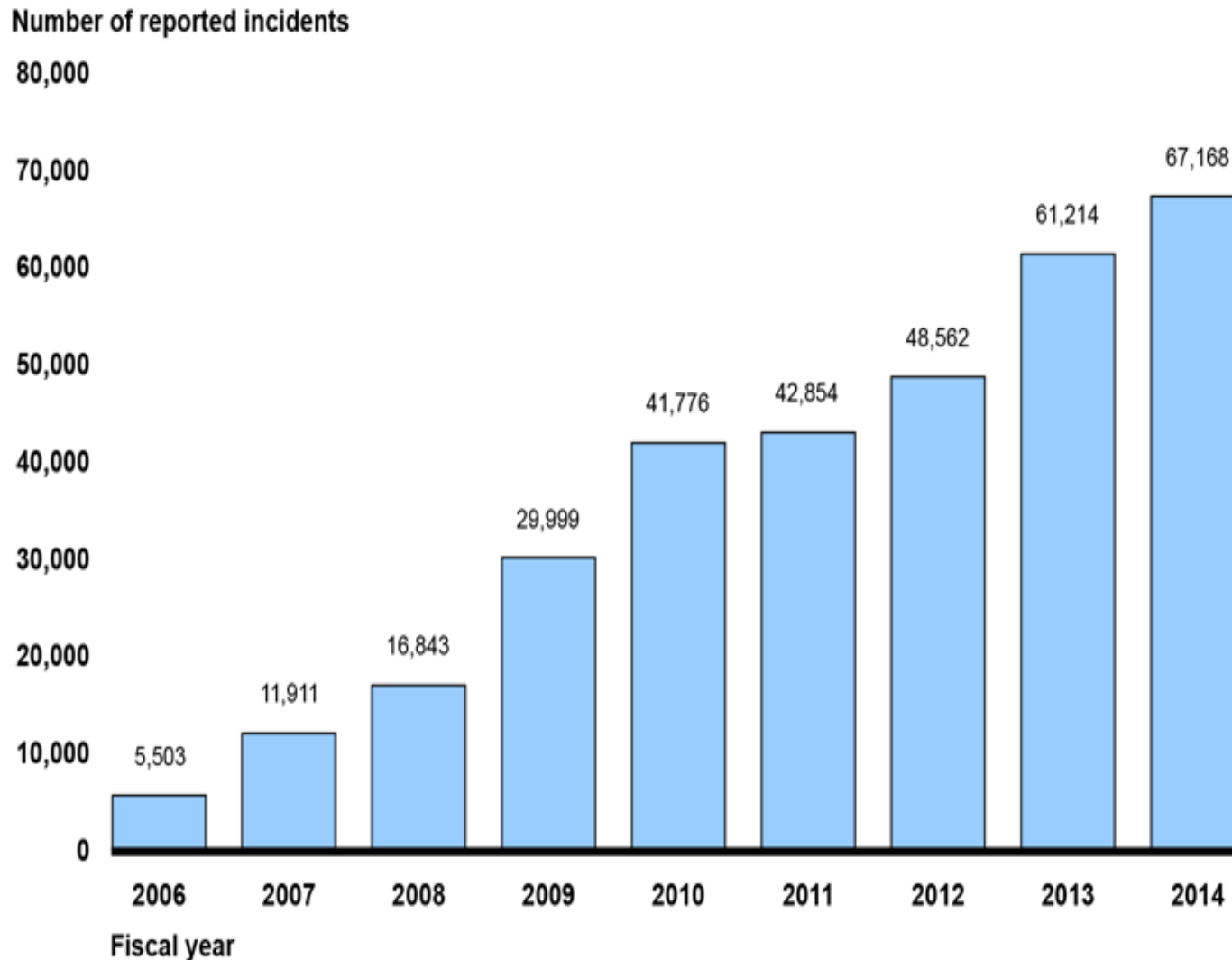
DATA ACT: Provisions Affecting State and Local Governments

- Data standards for all federal funds — including funds expended by states and localities
- OMB and Treasury required to consult with public and private stakeholders in establishing data standards
- Required pilot program to explore ways to reduce compliance costs and burden on federal award recipients: OMB/HHS are holding a 2-year national online dialogue to solicit feedback and ideas from grantees
- Expectations for agencies

High-Risk List: 2015 Edition

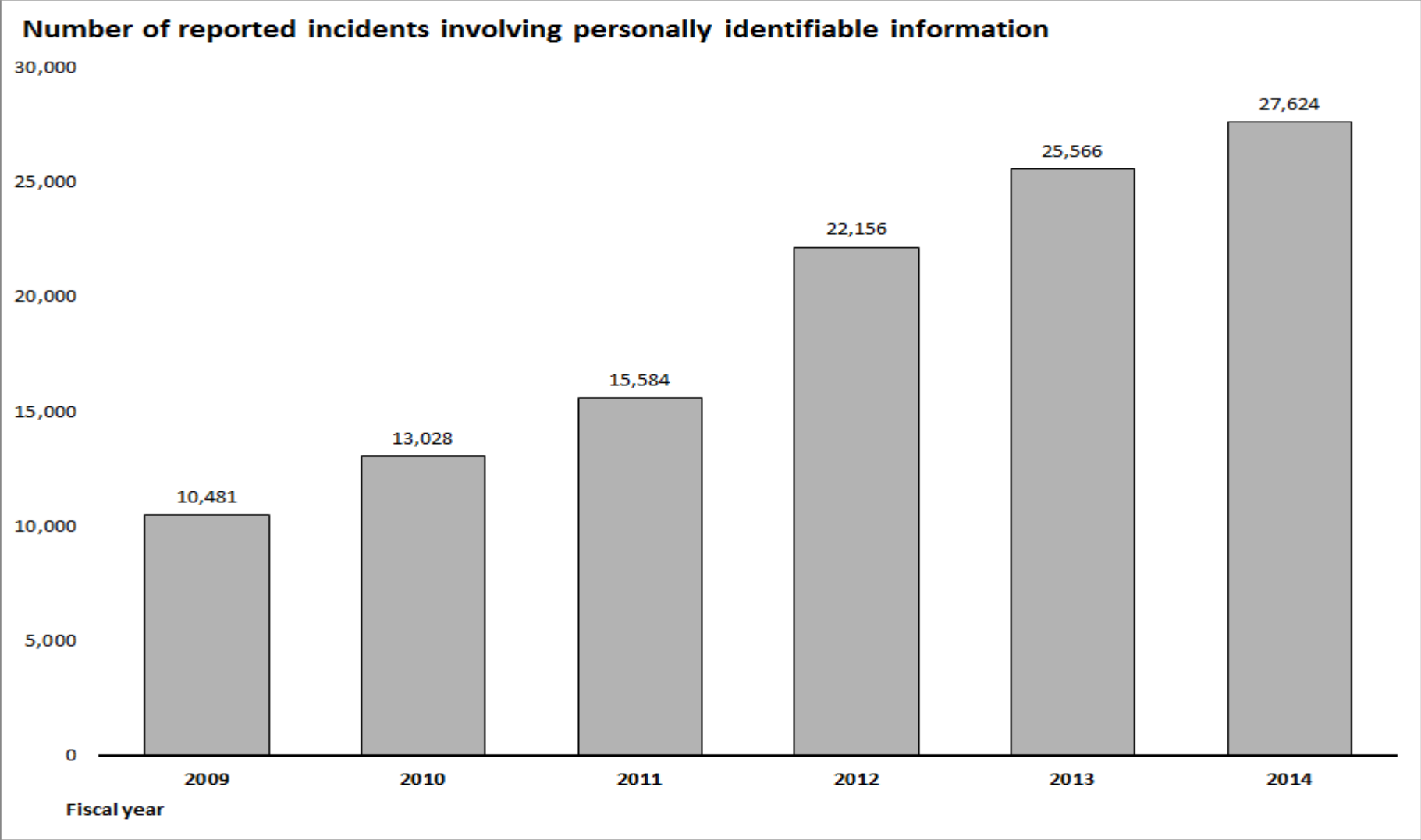
- **32 Current Areas**
- **Two Areas Added This Year -- VA Health Care and IT Acquisitions and Operations**
- **Two Areas Expanded -- Tax Refund Fraud Due to Identity Theft and Protecting Personally Identifiable Information**
- **Three Major Financial Management Issues**

Security Incidents Continue to Rise

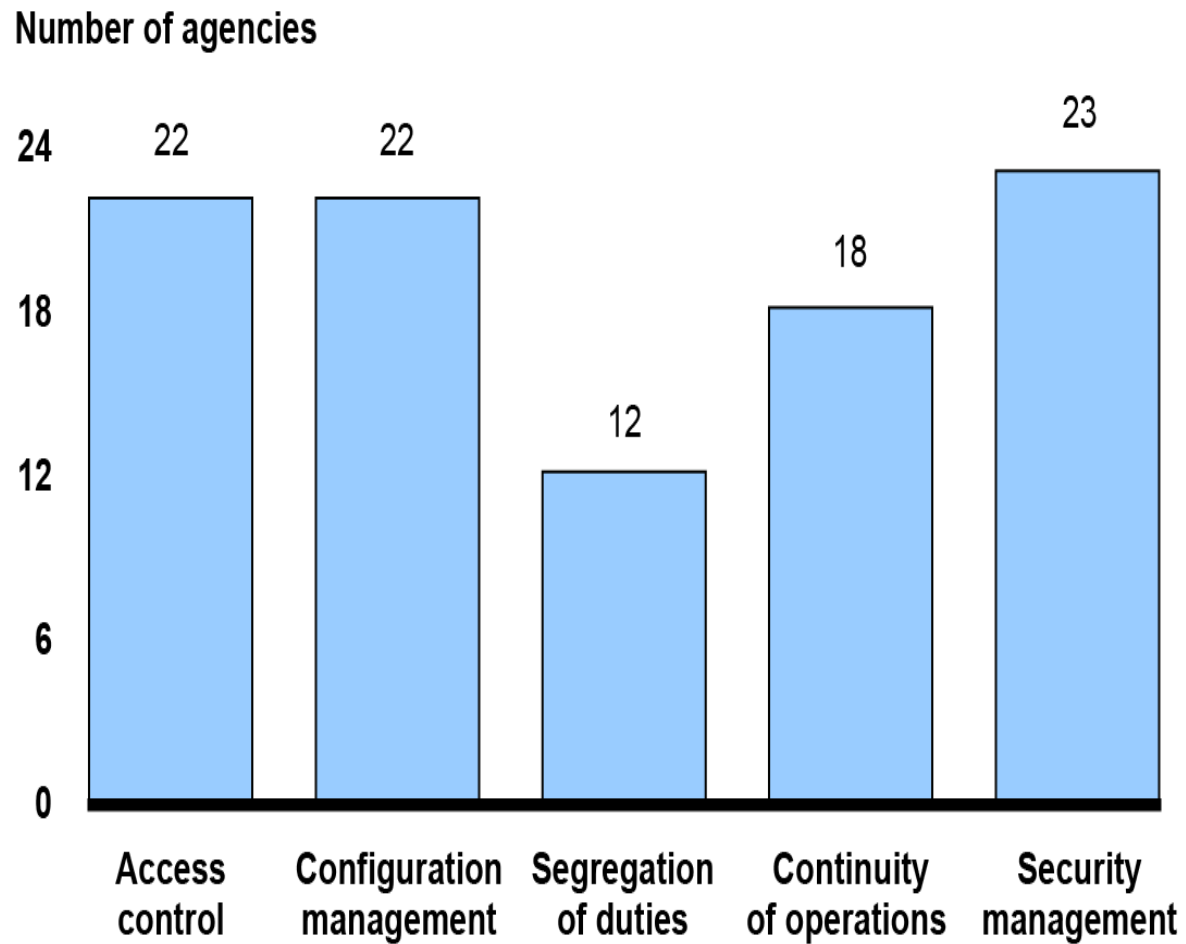


Source: GAO analysis of United States Computer Emergency Readiness Team data for fiscal years 2006-2014. | GAO-15-758T

Incidents Involving Personal Information are Also Increasing



Cybersecurity is a Government-wide High Risk Area



Source: GAO analysis of agencies, Inspector General and GAO reports as of April 17, 2015. | GAO-15-758T

Improving Financial Management

CFS FY 2014: Key Issues Driving the Disclaimer

- 21 of 24 CFO agencies receive unmodified opinions
- Social Insurance Related Statements: significant uncertainties primarily related to achievement of projected reductions in Medicare cost growth reflected in the statements
- Accrual-Based Financial Statements: 3 major impediments
 - DOD: unauditable financial statements caused by serious financial management problems
 - Ineffective preparation process
 - Intragovernmental activity and balances

CFS: Inability to Account for and Reconcile Intragovernmental Activity and Balances

- Material amounts of unreconciled transactions and differences between federal entities
- Treasury continues actively working to resolve differences between federal entities.
- Strong and sustained commitment by agency financial managers and entity heads across government is critical.

Treasury and OMB Committed to Resolve CFS Issues

- Treasury and OMB preparing detailed corrective action plans to address the material weaknesses related to the processes used to prepare the CFS
- OMB–agency meetings on agency plans to remediate reported material weaknesses and impediments to unmodified audit opinions on the agency’s financial statements

Fragmentation, Overlap, and Duplication: Mandate for GAO Duplication Reviews

- Enacted in 2010
 - Identify overlap and duplication
 - Identify opportunities for cost savings and revenue enhancement
- Annual reports 2011-2015 identify over 500 actions
- 37 percent of actions fully addressed and 39 percent of actions partially addressed
- Financial benefits
 - FY 2011-2014: about \$20 billion
 - Approximately another \$80 billion projected to be accrued through 2023

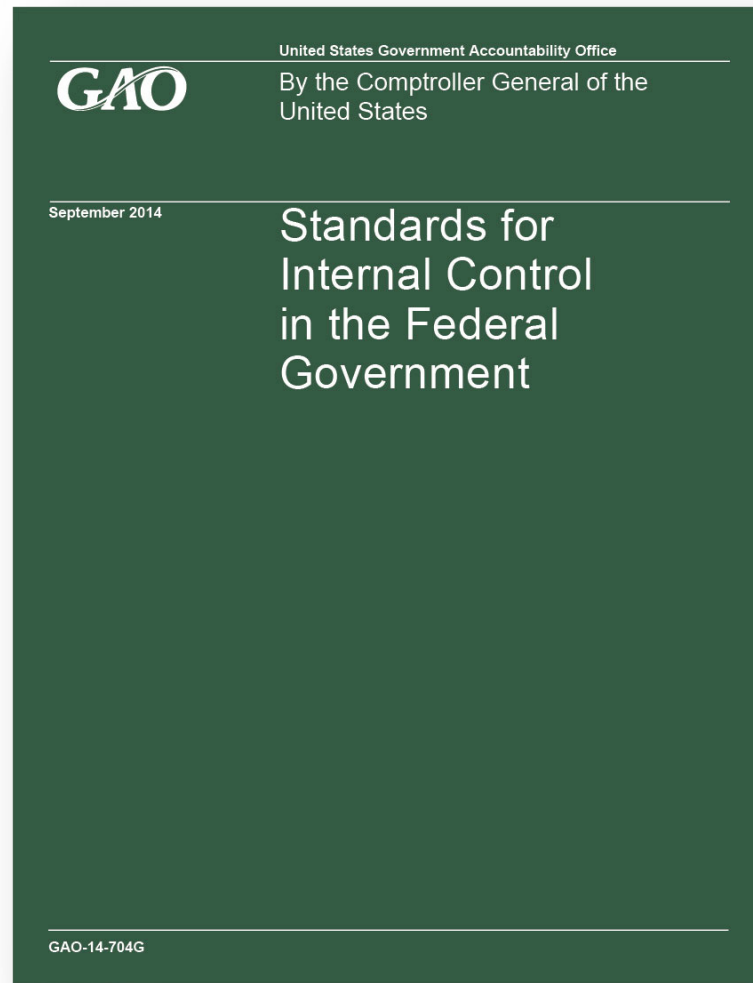
Fragmentation, Overlap, and Duplication: Looking across Sectors of Government

- Develop guidelines to assist states in developing uniform environmental analyses that could be used to meet state and federal requirements for water and wastewater infrastructure projects
- Coordinate DOJ grant award review to reduce the risk of potential duplication across more than 11,000 grant awards

Fragmentation, Overlap, and Duplication: Looking across Sectors of Government

- Enhance collaboration of overlapping federal and state export promotion efforts
- Look across levels of government for programs and activities aimed at same issue or population—e.g.
 - GAO with 25 state & local audit offices designed audit plan for 6 participating audit offices to use identifying overlap and fragmentation in rental housing assistance for low-income households.

The 2014 Green Book



Source: GAO.

Links and Resources

- GAO Website: www.gao.gov
- Quick links to special collections can be found at:
<http://www.gao.gov/resources/auditors/overview#t=2>
- US Government's Financial Report for FY 2014,
Issued February 2015 is at :
http://www.gao.gov/press/us_2014_financial_report.htm



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Web site: <http://www.gao.gov/>

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