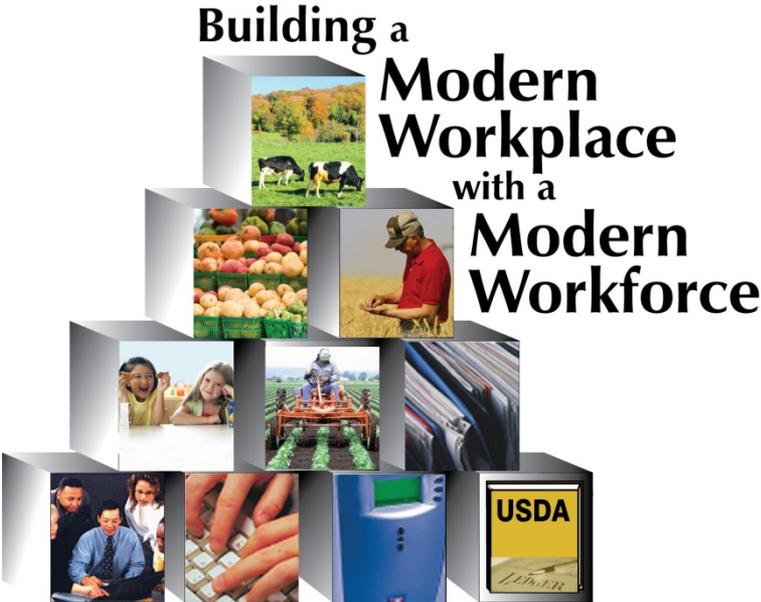
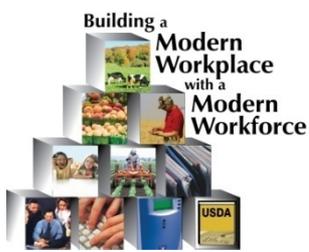




# Selected Trends Affecting GAO's Work

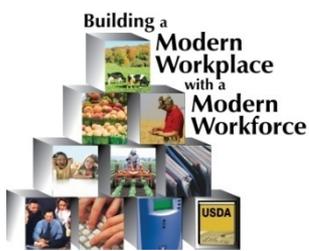
Presented by  
Robert F. Dacey, Chief Accountant  
U.S. Government Accountability Office





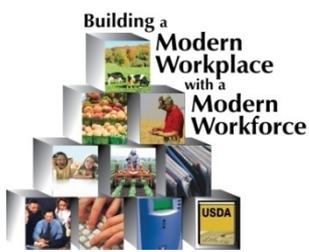
# Overview

- Fiscal Sustainability and Debt Challenges
- Consolidated Financial Statements
- American Recovery & Reinvestment Act
- Other Trends



# GAO at a Glance

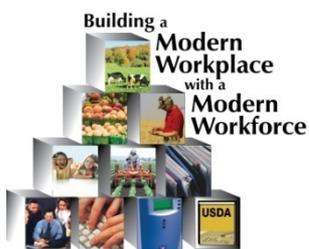
- Investigative arm of the Congress
  - ◆ 80% of resources spent on people
  - ◆ About 3,300 multi-disciplinary staff
  - ◆ 14 mission teams carry out audit responsibilities
  - ◆ 75% of staff in Washington, DC headquarters; 25% in 11 field offices



# Fiscal Sustainability and Debt Challenges

## Fiscal Outlook: GAO's Long-Term Simulations

- Current fiscal policy is unsustainable over the long term
  
- Key drivers are still the same
  - ◆ Growing health care costs
  - ◆ Aging population
  
- Greater sense of urgency

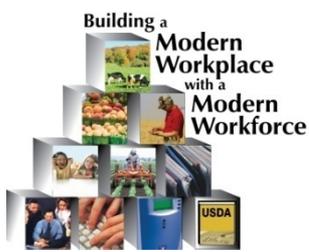


# Fiscal Sustainability and Debt Challenges

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. <sup>a</sup>
2011	Oldest members of the baby-boom generation become eligible for Medicare.
2014	45 percent of Medicare outlays funded by general revenue. <sup>b</sup>
2016	Social Security begins running consistent annual cash deficits.
2017	Medicare HI trust fund exhausted. Income sufficient to pay about 81 percent of benefits. <sup>b</sup>
2020	Debt held by the public under GAO's Alternative simulation exceeds the historical high reached in the aftermath of World War II.

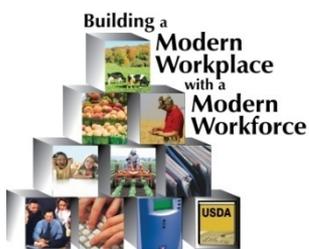
a - Based on Congressional Budget Office's (CBO) January 2010 baseline projections.

b - Based on 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (May 12, 2009). 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.



## Fiscal Outlook: State and Local Governments

- Intense pressure on state budgets
  - ◆ Unemployment, housing market weakness, cautious consumers, tightening credit, health care costs
  
- Tax revenue down, demand for services up
  
- Additional areas of concern:
  - ◆ State/local pension funds
  - ◆ Public employee & retiree health benefits

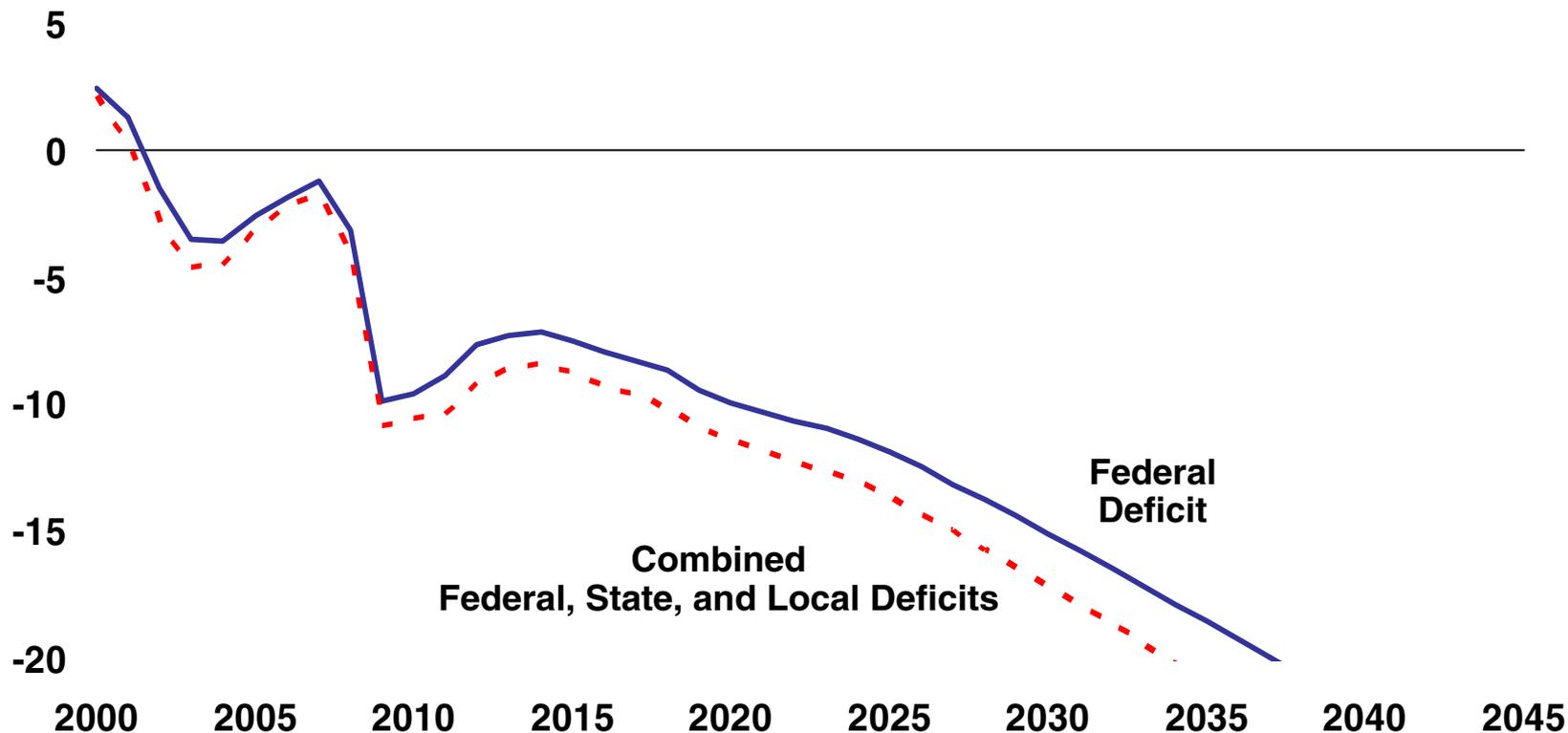


# Federal and Combined Federal, State, and Local Deficits as Shares of GDP

Surplus

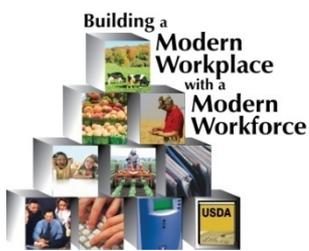
Deficit

Percent of GDP



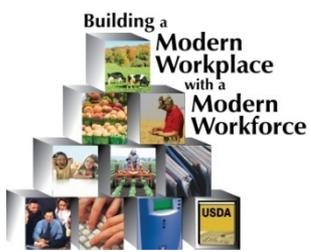
Source: GAO analysis, updated March 2010

Notes: The federal data are from GAO's Alternative simulation.



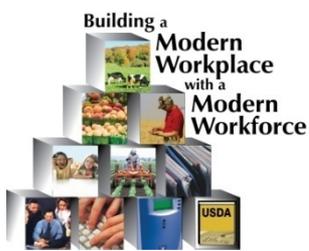
# Not Just a U.S. Challenge

- **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.**



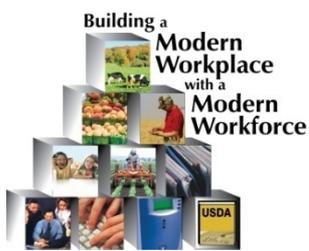
# Moving Forward

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



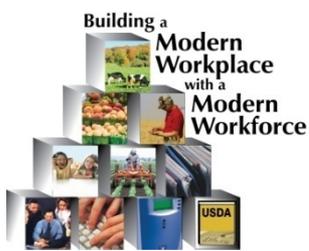
# New FASAB Standard 36 Issued in September 2009

- New financial statement
  - ◆ “Long-Term Fiscal Projections for the U.S. Government”
  - ◆ Basic financial statement beginning in fiscal year 2013
  - ◆ Reported as unaudited information for fiscal years 2010-2012



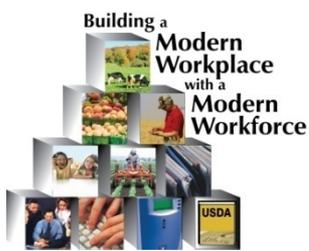
# Long-Term Fiscal Projections for the U.S. Government

- Present value of receipts, non-interest spending, and net, disaggregated by major program
- Change from the prior year for each line item
- Projection period – finite period sufficient to illustrate long-term sustainability
- Fiscal gap on the statement or in the notes
- Similar to current FASAB Statement of Social Insurance (SOSI), except that it includes all government programs
  - ◆ SOSI has been audited for 4 years – unqualified opinions
  - ◆ AICPA Statement of Position (SOP) 04-1 *Auditing the Statement of Social Insurance* – provides audit guidance on auditing the SOSI - in addition to SAS 57, *Auditing Accounting Estimates*



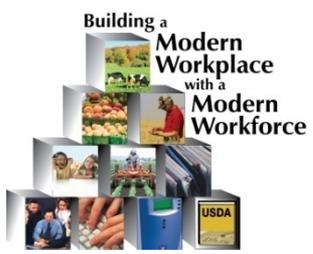
# Disclosures

- Policy assumptions
  - ◆ Identification of policy assumptions used
    - Based on current policy without change
  - ◆ Significant departures from current law
  - ◆ Significant differences from assumptions in the SOSI
  - ◆ Significant reasons for changes from the prior year
  
- Disaggregated information between programs funded by general revenues and programs funded principally through payroll and self-employment taxes (currently Social Security and Medicare Part A)
  
- Explanation of limitations

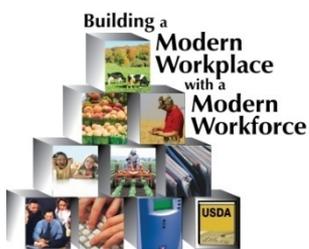


# Unaudited Required Supplemental Information

- Historical and projected trends
  - ◆ Debt held by the public
  - ◆ Receipts and spending
  - ◆ Deficits and surpluses
- Major factors affecting projected receipts and spending
- The cost of delaying policy changes, if projected non-interest spending exceeds receipts
- The results of alternative scenarios
- Information to provide more context to the estimates



# Illustrative Presentations



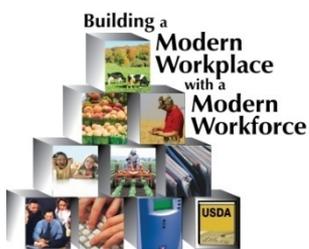
## Illustrative Long-Term Fiscal Projections-75 Years Based on GAO's Alternative Simulation

	09/30/09		09/30/08		Change	
	PV dollars (in trillions)	%GDP	PV dollars (in trillions)	%GDP	PV dollars (in trillions)	%GDP
<b>Receipts<sup>a</sup></b>	<b><u>\$ 151.3</u></b>	<b><u>17.8%</u></b>	<b><u>\$ 144.1</u></b>	<b><u>18.5%</u></b>	<b><u>\$ 7.2</u></b>	<b><u>-0.7%</u></b>
<b>Spending</b>						
Medicare	55.0	6.5	49.0	6.3	6.0	0.2
Medicaid	26.3	3.1	24.0	3.1	2.3	0.0
Social Security	48.4	5.7	45.5	5.8	2.9	(0.1)
Rest of Federal Government	<u>94.0</u>	<u>11.1</u>	<u>85.0</u>	<u>10.9</u>	<u>9.0</u>	<u>0.2</u>
<b>Total Noninterest Spending</b>	<b><u>\$ 223.7</u></b>	<b><u>26.3%</u></b>	<b><u>\$ 203.6</u></b>	<b><u>26.1%</u></b>	<b><u>\$ 20.1</u></b>	<b><u>0.2%</u></b>
<b>Noninterest spending in excess of receipts</b>	<b><u>\$ (72.4)</u></b>	<b><u>(8.5)%</u></b>	<b><u>\$ (59.5)</u></b>	<b><u>(7.6)%</u></b>	<b><u>\$(12.9)</u></b>	<b><u>(0.9)%</u></b>

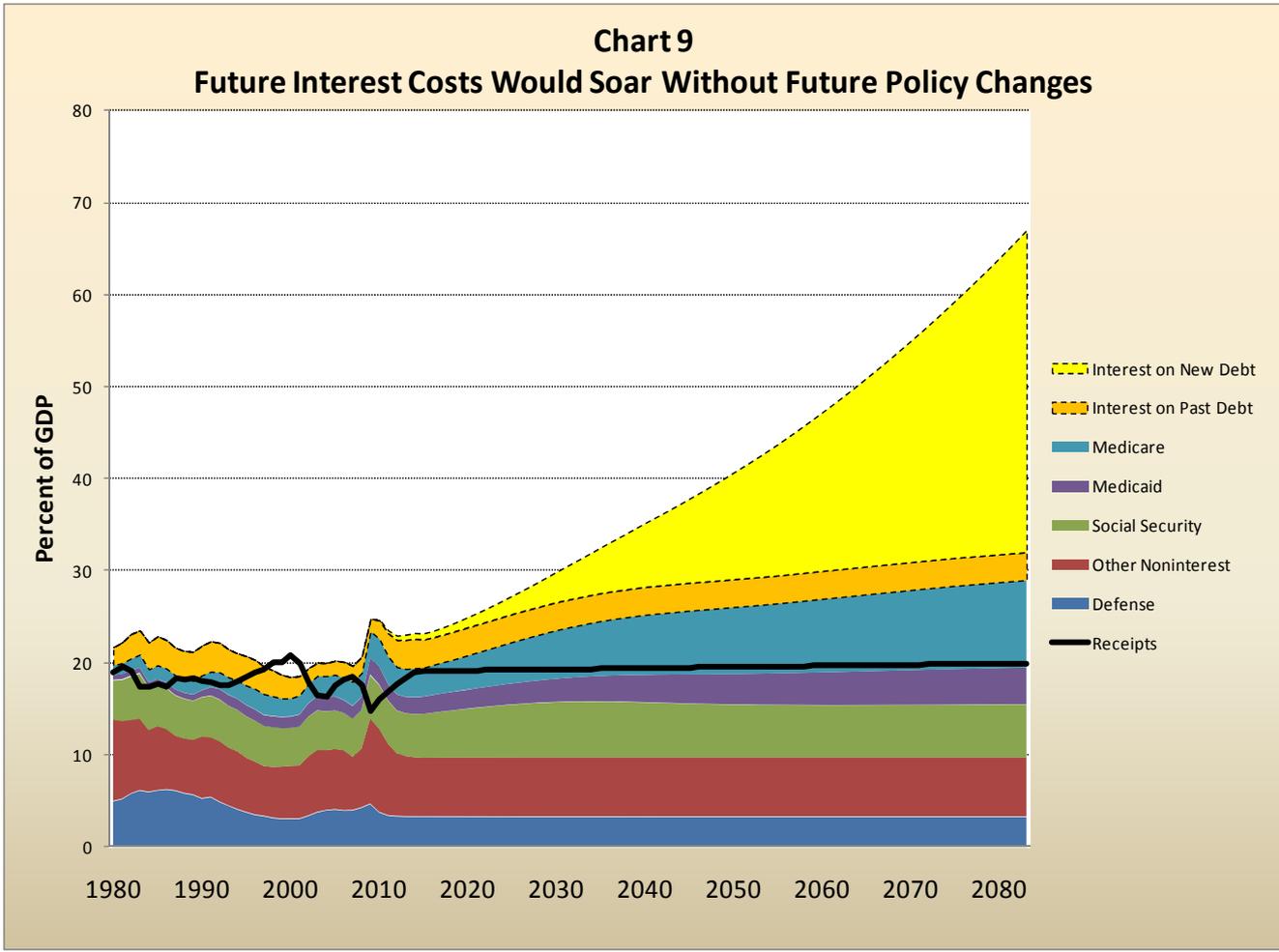
<sup>a</sup>This specific illustration does not include a breakdown of receipts as these amounts are not broken out in GAO's model. However, disaggregated amounts for Social Security and Medicare would be reported under the new standard.

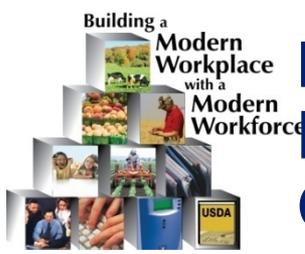
Source: GAO's January 2010 and March 2009 simulations.

Note: Numbers may not add to totals due to rounding.

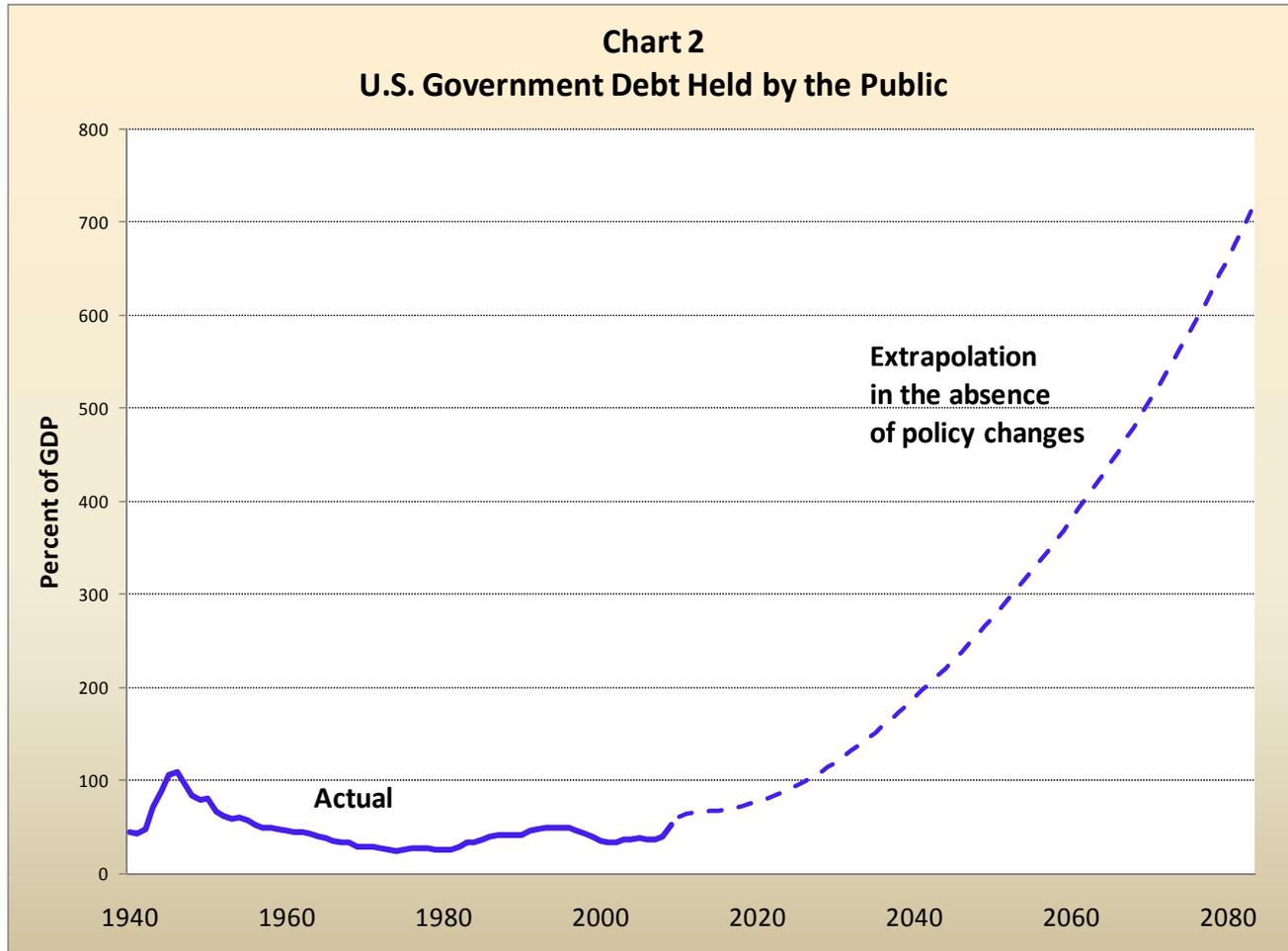


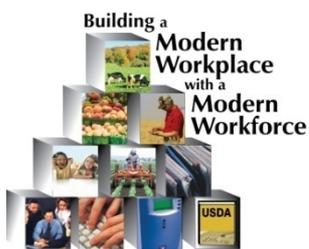
# Projected Receipts and Spending - 2009 Financial Report of the United States Government





# Debt Held by the Public as % of GDP - 2009 Financial Report of the United States Government



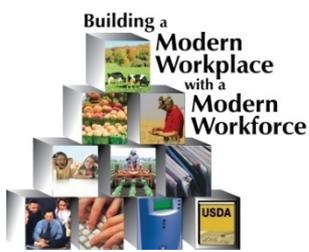


# Federal Fiscal Gap and Cost of Delay Under GAO's Alternative Simulation

Fiscal gap	Action taken today			Action delayed 10 years		
	Trillions of present value dollars	Percent of GDP	Percent increase in today's revenue	Percent decrease in noninterest spending	Percent of GDP	Percent increase in today's revenue
76.4	9.0	50.5	34.2	11.0	60.7	40.2

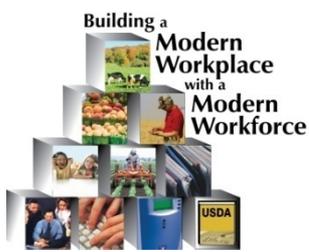
Source: GAO analysis. GAO-10-468SP Long-Term Fiscal Outlook January 2010





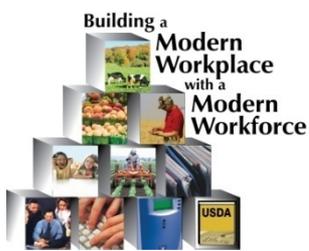
# Consolidated Financial Statements and the Importance of Financial Information

- Financial and performance information must be reliable, useful, & timely
- Need is greater than ever
- Financial management needs to be top priority
- GAO's audit of Consolidated Financial Statements
  - ◆ Unqualified opinion on Statement of Social Insurance
  - ◆ Disclaimer on other financial statements
  - ◆ Material weaknesses
  - ◆ Future uncertainties
- Citizen's Guide – 3<sup>rd</sup> year



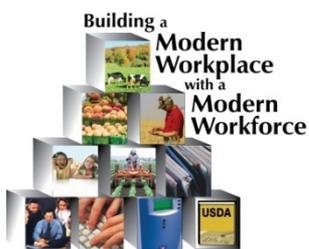
## Consolidated Financial Statements: Future Uncertainty & Risk Factors

- \$500 billion increase in reported federal assets (e.g., TARP equity investments, mortgage-backed securities, investment in Fannie Mae and Freddie Mac)
- Additional liabilities (e.g., liquidity guarantees to Fannie Mae & Freddie Mac)
- FDIC, FHA, Ginnie Mae, PBGC



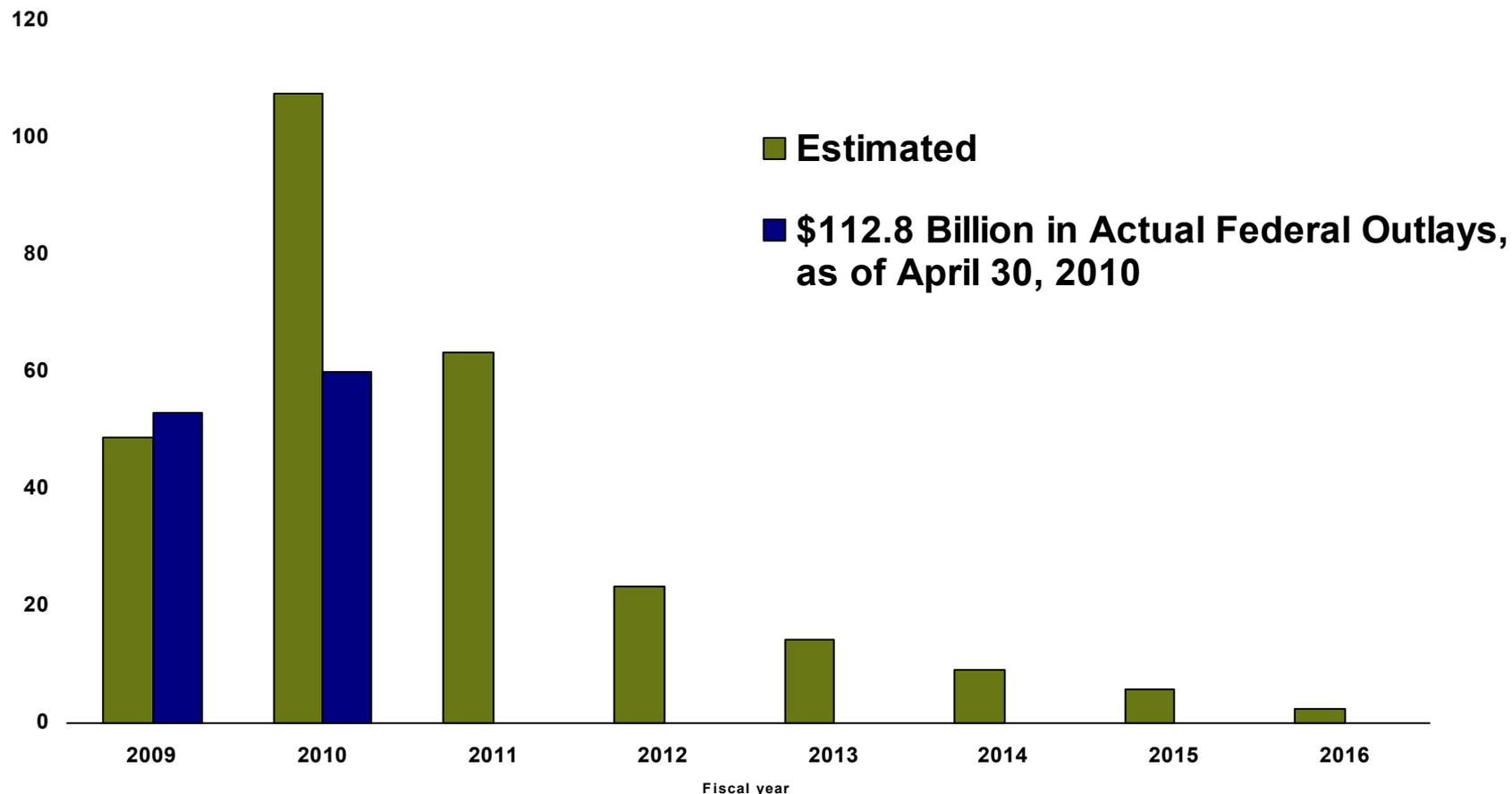
# American Recovery & Reinvestment Act

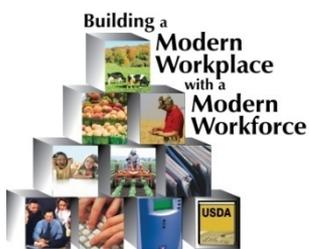
- Signed February 17, 2009
- Purpose:
  - ◆ Preserve/create jobs and promote recovery
  - ◆ Assist those most hurt by the recession
  - ◆ Invest in infrastructure
  - ◆ Stabilize state and local government budgets
- Total cost (tax and spending): \$862 billion, including over \$626 billion in additional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



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

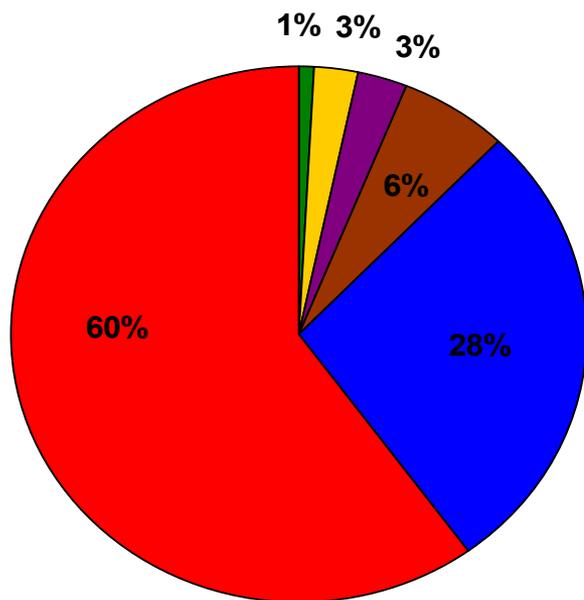
Outlays in billions of dollars





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

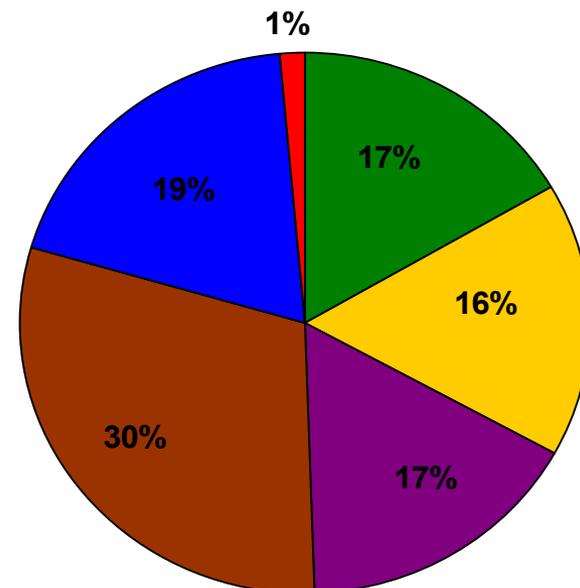
Actual Fiscal Year 2009



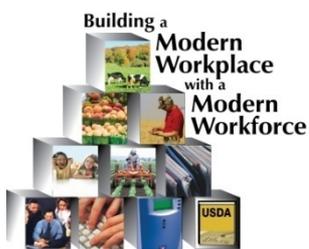
\$52.9 Billion

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

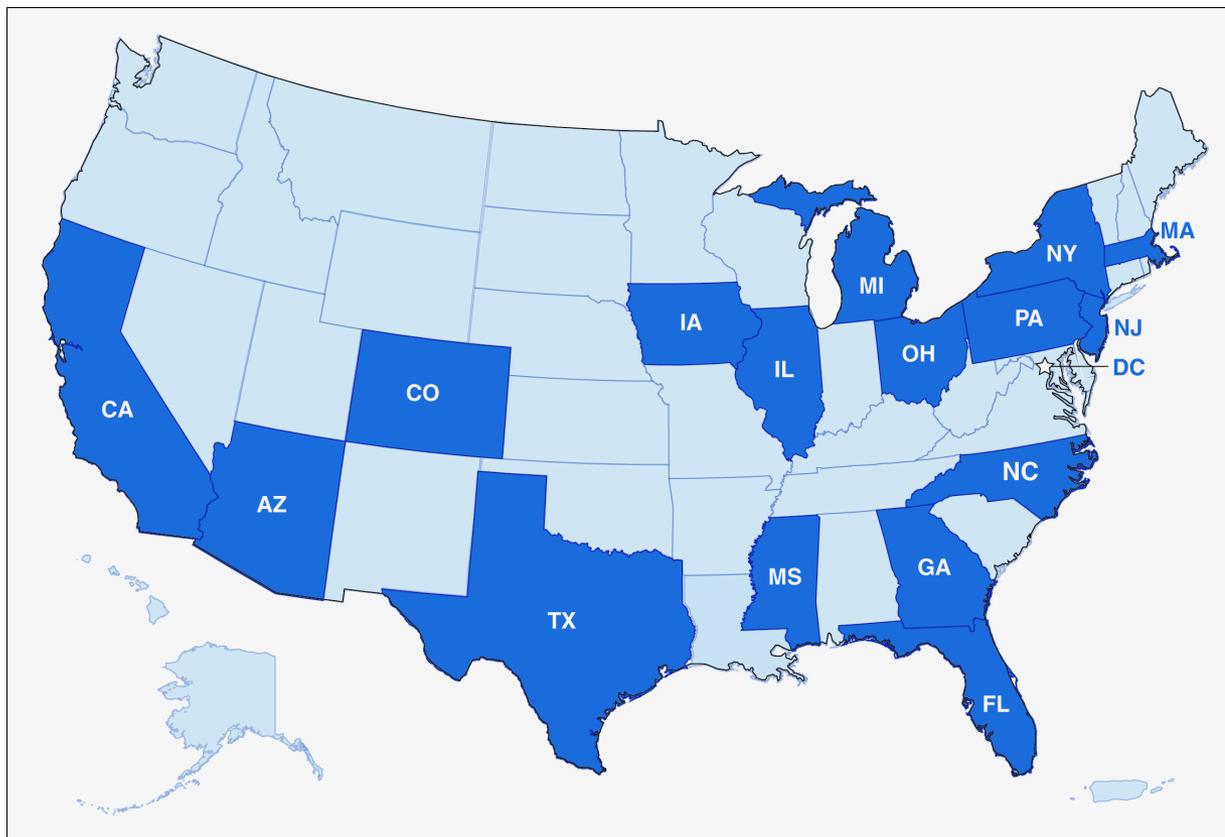
Estimated Fiscal Year 2012



\$23.3 Billion

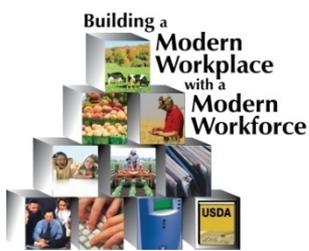


# Recovery Act: GAO's Monitoring of Selected States



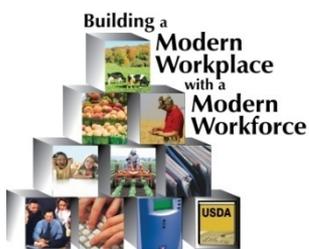
1. Arizona
2. California
3. Colorado
4. Florida
5. Georgia
6. Illinois
7. Iowa
8. Massachusetts
9. Michigan
10. Mississippi
11. New Jersey
12. New York
13. North Carolina
14. Ohio
15. Pennsylvania
16. Texas
17. Washington, D.C.

Source: GAO analysis.



# Recovery Act: GAO Recommendations

- **GAO has made a number of recommendations regarding:**
  - ◆ **Accountability and Transparency**
  - ◆ **Reporting on Impact and Guidance**
  - ◆ **Resource Allocation and Capacity**
  - ◆ **Leveraging Single Audit as an effective oversight tool**



# Recovery Act: Frequent Updates at <http://www.gao.gov/recovery>

## Following the Money: GAO's Oversight of the Recovery Act

- Recovery Act Home
- Bimonthly Reviews
- Other GAO Mandates
- Related GAO Products
- Reporting Stimulus Fraud

### States' and Localities' Progress

- National Overview of Spending
- Selected State and Locality Spending

### Featured Reports

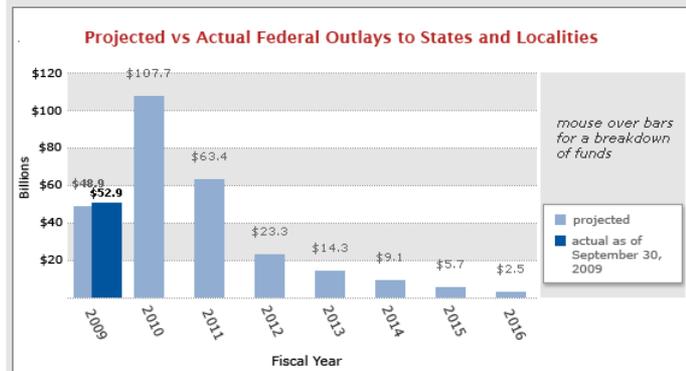
- Bimonthly Reports
- Other Recovery Act Reports

### Reporting Fraud

- Report Fraud, Waste, or Abuse of Recovery Act Funds

### GAO Tracks Recovery Act Spending

Across the United States, as of September 30, 2009, the Department of the Treasury has paid out \$52.9 billion in Recovery Act funds for use in states and localities in federal fiscal year 2009, exceeding the initial estimate of nearly \$49 billion.



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

More than three quarters of the federal outlays has been provided through the increased Medicaid Federal Medical Assistance Percentage (FMAP) and the State Fiscal Stabilization Fund (SFSF) administered by the Department of Education.

### Overview of GAO's Third Bimonthly Review

This review, the third in response to a mandate under the Recovery Act, addresses how selected states and localities are using Recovery Act funds, how they are ensuring accountability for these funds, and the states' plans to evaluate the impact of the funds they received. GAO's work focused on 16 states and certain localities in those jurisdictions as well as the District of Columbia—representing about 65 percent of the U.S. population and two-thirds of the intergovernmental federal assistance available.

Issued on September 23, 2009, this review focuses on the federal programs identified below, which are funded under the Recovery Act. The review also discusses issues concerning the accountability and impact of Recovery Act funds and makes a number of

### GAO's Role in the Recovery Act



A video message from the Acting Comptroller General, Gene Dodaro.

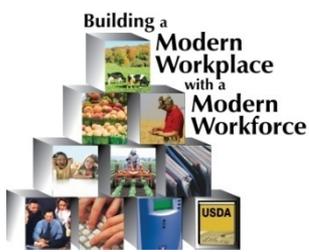
### Recovery.gov

For additional information visit, [www.recovery.gov](http://www.recovery.gov), the federal government's Web site on the Recovery Act.

### Contact Info

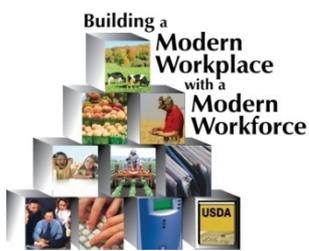
For any questions or comments regarding this Web site, please call GAO at (202) 512-3000 or e-mail [contact@gao.gov](mailto:contact@gao.gov).





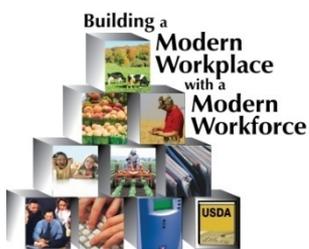
# Recovery Act: Accountability at All Levels of Government

- CFOs and financial management community
- Working with OMB
- Recovery.gov reporting
- Data quality reviews
- Federal IGs
- Recovery Accountability & Transparency Board
- State & local auditors



# 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



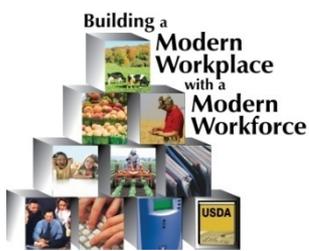
# Status of Troubled Asset Relief Program Outstanding Balances

- As of May 7, 2010, Treasury had disbursed about \$382 billion of the almost \$700 billion in program funds, and had received repayments of about \$187 billion.
- A total of about \$193 billion remains outstanding (see table below).

## Status of TARP Funds as of May 7, 2010 (dollars in billions)

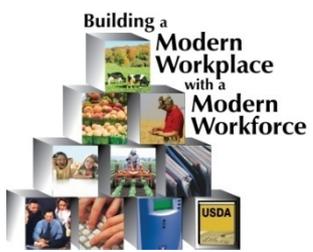
Program	Gross Outstanding Balance
Capital Purchase Program	\$65.3
AIG	47.5*
Targeted Investment Program	0.0
Consumer & Business Lending Initiative: Term Asset-backed Securities Loan Facility & Small Business and Community Lending Initiative	0.1
Automotive Industry Financing Program	70.4
Public-Private Investment Program	9.2
<b>Totals</b>	<b>\$192.5</b>

\*CPP amount outstanding excludes about \$2.3 billion for a disbursement that Treasury has deemed to have no value.  
Note: This table does not reflect the approximately \$131 disbursed under the Home Affordable Modification Program.



## Other Trends Affecting GAO's Work

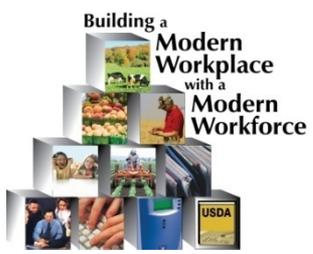
- Threats Confronting U.S. National Security Interests
- The Changing Dynamics of Global Interdependence
- Advances in Science and Technology
- Increasing Impact of Networks and Virtualization
- Shifting Roles in Government and Governance
- Demographic and Societal Changes Confronting Young and Old



# Air Room Cleaner Certified by Energy Star



Source: GAO.



# Questions