

Country Focus

USA



Today, an agency that once manually checked millions of government transaction vouchers has become a multi-disciplinary organisation, equipped to handle Congress's toughest audit and evaluation assignments.

Madhav Panwar of the General Accounting Office provides an overview of the GAO's role in auditing US Federal Government expenditure.

Geographical & historical background

The Americas derive their name from the Italian merchant and navigator, Amerigo Vespucci, who took part in early voyages to what was then known as the "New World".

North America's major geographical characteristic is probably its great diversity. Our physical environment ranges from the Arctic to the subtropical, from moist rain forest to arid desert, from rugged mountain peaks (including volcanoes) to the flat prairies. Our country also has a wide range of racial, ethnic and cultural characteristics. In addition to the native Americans (American Indians, Aleuts and Eskimo) and the descendants of the Africans brought here as slaves, our national character has been enriched by the tens of millions who immigrated to the United States in search of greater social, political and economic opportunities. But although our total population is large by world standards, its overall density is relatively low, with extensive tracts being almost devoid of habitation.


The European colonisation of North America began during the 16th century. Spain claimed Florida in 1513, although it was not colonised until later. In 1539 the Spaniard, Hernando de Soto, explored the southern states discovering the Mississippi River, which he crossed into what is now Arkansas. The Frenchman Jacques Cartier discovered the Gulf of St Lawrence in 1534 and sailed up it to what is now Montréal.

¹ Morally rigorous and strict Protestants.

The French were later to settle in Canada and along the Mississippi River valley.

English colonisation began along the eastern seaboard during the 17th century. Sir Walter Raleigh founded the English colony of Virginia in 1585, but it failed and the colonists returned to England, taking with them the potato and tobacco. In 1607 a second colony was established at Jamestown, and later in the 17th century royalist exiles from the English Civil War also settled in Virginia. Maryland was founded as a refuge for English Catholics. Religious persecution in England also led to the foundation of the New England colonies. The Puritans¹ founded the first colony in what is now Massachusetts, later establishing the colony of Connecticut, and William Penn founded Pennsylvania as a refuge for the Quakers. Indeed, our country was to become a haven for refugees from religious and political persecution.

The English were not the eastern seaboard's only early colonists. In 1614 the Dutch settled on Manhattan Island and named it New Amsterdam; it later became New York when the English took it over. New Jersey also began life as a Dutch colony, and while the Dutch claimed Delaware, the Swedes first settled there. However, by independence 10 of the original 13 states - the others being New Hampshire, North and South Carolina, Rhode Island and Georgia - were in English hands.



GAO Headquarters

The U.S.A. - some facts.....

- About half the size of Russia; about three-tenths the size of Africa; about half the size of South America (or slightly larger than Brazil); slightly larger than China; about two and a half times the size of Western Europe;
- World's third-largest country by size (after Russia and Canada) and by population (after China and India);
- Population 280,562,489 (July 2002 est.)..... white 77.1%, black 12.9%, Asian 4.2%, Amerindian and Alaska native 1.5%, native Hawaiian and other Pacific islander 0.3%, other 4% (2000);
- Religions - Protestant 56%, Roman Catholic 28%, Jewish 2%, other 4%, none 10% (1989);
- Legislative branch - bicameral Congress consists of the Senate (100 seats, one-third are renewed every two years; two members are elected from each state by popular vote to serve six-year terms) and the House of Representatives (435 seats; members are directly elected by popular vote to serve two-year terms);
- The US has the largest and most technologically powerful economy in the world, with a per capita GDP of \$36,300.

Since independence 37 new states have joined the original 13 as our nation expanded across the continent, our population being swelled by waves of immigration from the Old World. Perhaps our most traumatic experiences in the intervening years have been the Civil War (1861-65), the Great Depression of the 1930s, World War II and Vietnam, but despite these misfortunes our country has grown to become the world's largest and most technologically powerful economy, with US firms at or near the forefront in technological advances, especially in computers and in medical and aerospace equipment. We are not, however, without our long-term problems; these include inadequate investment in our economic infrastructure, the rapidly rising medical and pension costs of our aging population, and sizable trade deficits. But our response to the

The U.S. General Accounting Office (GAO) is an agency that works for Congress and the American people.

Commonly called the investigative arm of Congress or the congressional watchdog, we are independent and nonpartisan. We study how the federal government spends taxpayer dollars, and advise Congress and the heads of executive agencies (such as Environmental Protection Agency, Department of Defense, and Health and Human Services) about ways to make government more effective and responsive. We evaluate federal programmes, audit federal expenditures, and issue legal opinions. When we report our findings to Congress, we recommend actions.

Our work leads to laws and acts that improve government operations, and save billions of dollars.

By the 1760s Britain's taxation and trading policies with her colonies were causing increasing resentment; the colonists' slogan 'No taxation without representation' stemmed from their lack of representation in the British Parliament. The British Government's failure to appreciate the position was to lead to the American Revolution or War of Independence, a conflict that began with insurrection² and gorilla warfare but gradually developed into a full-scale war, with the colonies gaining the active support of a number of European powers, among them France and Spain. Much blood was to be spilled before a peace treaty was eventually signed in Paris on 3rd September 1783, with Britain recognising the independence of the 13 colonies, which became the United States of America. Our Constitution dates from 1789.

² In 1773 a band of men disguised as American Indians boarded tea ships in Boston harbour and tossed the tea chests into the sea in protest against British taxation and monopolies imposed on commodities, an episode that became known as the "Boston Tea Party".

The Office of Management and Budget (OMB) helps the President obtain greater departmental accountability. It provides a conduit through which departmental budget requests must pass before becoming part of the President's official budget requests to Congress.

The General Accounting Office (GAO) provides Congress with independent audits of subsequent government operations.

terrorist attacks of September 11th demonstrates the remarkable resilience of our people and our economy.

Where the GAO came from

By the end of World War I, federal financial management was in disarray. Wartime spending had driven up our national debt and Congress needed more information and better control over expenditure. The Budget and Accounting Act of 1921 marked a turning point in fiscal control by creating both the GAO and the agency that was later to become the Office of Management and Budget (OMB).

Until the end of World War II our primary role was to check the legality and adequacy of government expenditure. We issued decisions on payment questions; helped process financial claims for and against the government; reviewed financial transactions against expenditure vouchers; and audited and reconciled disbursing officers' accounts. Government agencies sent us their fiscal records for legions of audit clerks to work on in our central office.

Franklin D. Roosevelt's "New Deal" in the 1930s poured federal money into recovery and relief efforts to fight the Great Depression. This meant more paperwork for us to examine. We started out in 1921 with about 1,700 staff, and by 1940 this had grown to 5,000. Our entry into World War II triggered a military spending and paperwork explosion. By 1945 our workforce had increased to over 14,000, but we still faced a backlog of 35 million unaudited vouchers.

After the war we began to move away from central auditing towards a more comprehensive examination of the economy and efficiency of government operations. Instead of scrutinizing every fiscal transaction, we reviewed financial controls and management in federal agencies (by 1951 our staff had reduced to less than 7,000, under half the complement in 1945). Congress also needed more information on how well government programmes were meeting their objectives. In 1967 they asked us to evaluate the Johnson Administration's Great Society anti-poverty efforts, and we also did important work in areas such as energy policy, consumer protection, the environment and the economy. In 1974, Congress broadened our evaluation role giving us greater responsibility in the budget process. In addition to accountants, the 1970s saw us starting to recruit scientists, actuaries, and experts in fields such as health care, public policy, and computers to fit our changing work.

GAO reports.....

... are mainly audits or assessments of federal agencies and projects. They span a wide range of subjects, including information technology (IT), healthcare, infrastructure upgrades, defence acquisition, financial management, security, education and housing. The Comptroller General also issues decisions prepared by our Office of General Counsel in selected areas of federal law.

Most GAO products and decisions are available to download from our web site at <http://www.gao.gov/>

IT can be a key element of management reform, dramatically reshaping government to make it more responsive and efficient. Today's rapid technological change and innovation - including the growth of the Internet - offers unprecedented opportunities to use IT to enhance government service to citizens by improving performance and reducing costs.

However, these opportunities create great challenges in ensuring that new electronic technologies are effectively applied and used, that government information is properly managed, and that the privacy and security of government data in computerised systems and networks is fully protected.

During the last 20 years, we have sought to improve accountability by alerting policymakers and the public to emerging problems throughout government. In the 1980s, for example, we reported on emerging problems in the savings and loan industry and repeatedly warned about the government's failure to control deficit spending. But we did more than just point out shortcomings in government operations; we worked with executive branch agencies to strengthen their financial management, urging them to modernise outmoded financial systems, prepare yearly financial statements and submit them for audit. As the 1990s drew to a close, we did important work on a range of issues including computer security, conditions at nursing homes and the choices posed by continuing budget surpluses.

Although Congress has expanded our authority by adding new responsibilities and duties, and has strengthened our independence from the executive

branch of government, the Budget and Accounting Act continues to serve as the basis for our operations.

The GAO today

In 1951 we relocated to a new headquarters in downtown Washington DC. Our building, which is listed on the National Register of Historic Places, has since undergone a major renovation but we have taken care to preserve its character while providing our staff with a modern and efficient working environment. New modular office space equipped with a high speed network, Internet access and state of the art communications including multiple video teleconferencing and meetings rooms are home to the majority of our staff. About three-quarters of our approximately 3,200 employees are based at our headquarters, the rest being deployed in 11 field offices.

Most of our staff are assigned to various teams, such as Acquisition and Sourcing Management, Applied Research and Methods, and Information Technology. Requests for work from Congress are assigned to staff from one of these teams, a team being selected to lead with other teams assisting as required. For example, a request for work on infrastructure upgrade at the Federal Aviation Administration may be led by the Physical Infrastructure team with assistance being provided by the Information Technology Team, by specialists from within the Applied Research and Methods team and if legal issues are involved, by members of the General Counsel.



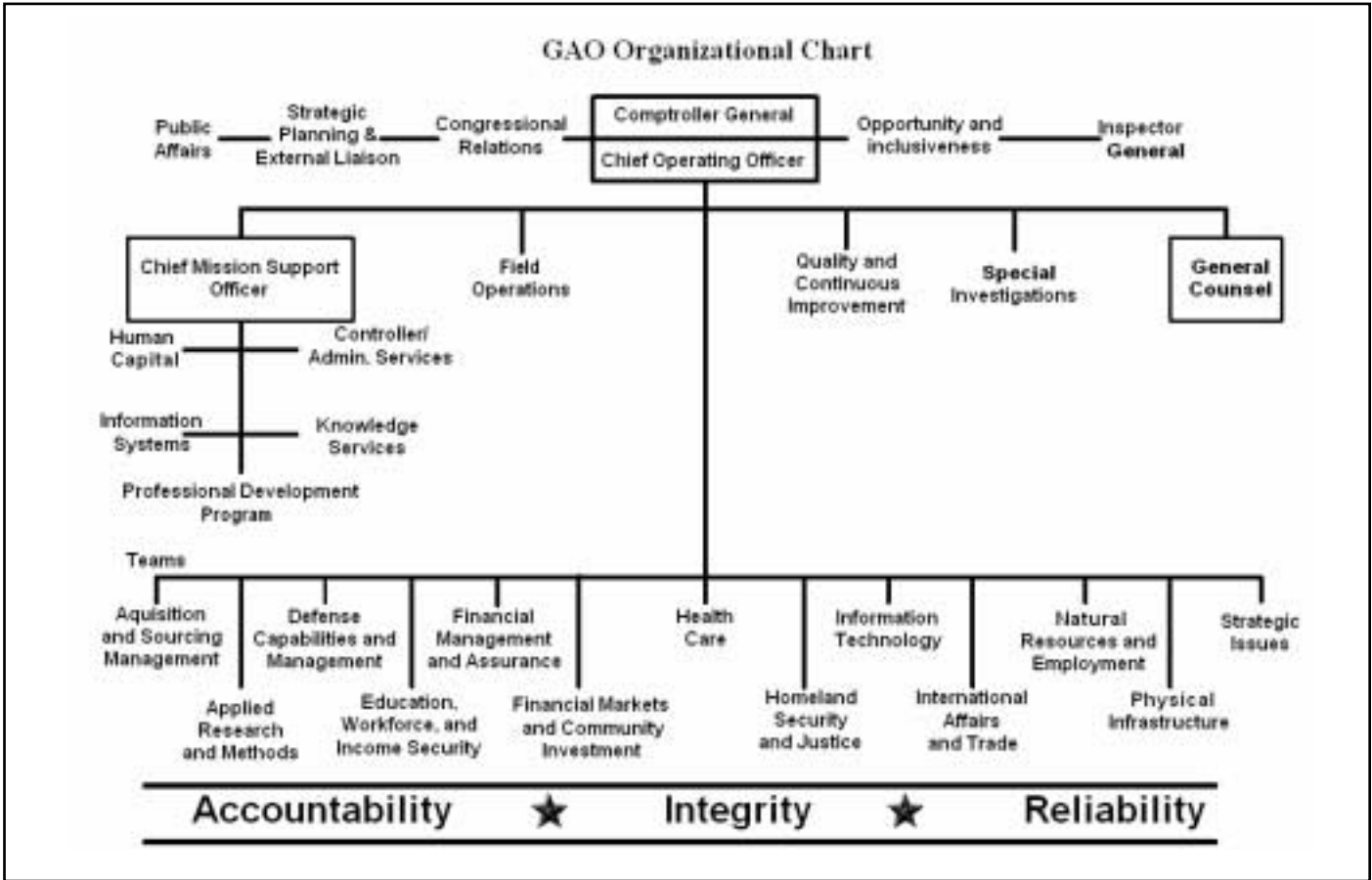
Information technology audit

The Information Technology Team leads our efforts to help the Government address these and other important IT challenges by working to build the Government's capacity to manage IT and to manage the collection, use, and dissemination of information in an era of rapidly changing technology. We also seek to strengthen information security and to protect the computer and telecommunications systems that support the nation's vital infrastructures.

We assist Congress in assessing and improving the Government's substantial IT investments - including high-risk modernisation efforts - and we continue to develop and expand our best practice methodologies that are now used across government to help guide IT investment decision makers. We also seek to improve how the Government collects and manages its information in a world of instant Internet connectivity, and to better protect the security and privacy of government data in light of the nation's growing dependence on complex interconnected computer and telecommunications systems.

More specifically we focus on.....

- strengthening information security and critical computer support infrastructure protection;
- enhancing the collection, use, and dissemination of government information;
- assessing opportunities for electronic (e-) government;
- promoting sound enterprise architectures and infrastructures;
- fostering mature systems acquisition, development, and operational practices;
- developing and building upon best practices methodologies to better ensure the use of sound IT investment practices; and...
- developing IT human capital strategies.



Today, we examine the full breadth and scope of federal activities and programmes, and also study national and global trends to anticipate their implications for public policy. With almost the entire federal government subject to our review, we issue a steady stream of products - over 1,000 reports and hundreds of testimonies by GAO officials each year - and provide a number of related services intended to aid decision makers and the general public alike.

The GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the American people. Our published work translates into a wide variety of legislative actions, improvements in government operations and billions of dollars in financial benefits for the American people.

Across all these activities the GAO delivers an excellent return on our taxpayers' investment³.

The 1970s saw us starting to recruit scientists, actuaries, and experts in fields such as health care, public policy, and computers to fit our changing work.

Today we rely on a workforce of highly trained professionals who hold degrees in many academic disciplines, such as accounting, law, engineering, public and business administration, economics, and the social and physical sciences.

The GAO - some facts

David M. Walker, Comptroller General of the United States, was appointed in October 1998 for a term of office that expires in October 2013

Staffing level:	3,275 employees
Budget:	\$431.9 million
Congressional testimony:	216
Measurable financial benefits GAO work:	\$37.7 billion -- a \$88 return on every dollar from invested in the GAO.
Recommendations	1,950 made last year to improve government operations - four out of five made during the past four years have been implemented.

³ For more detailed information please see the GAO's "Strategic Planning, Performance, and Accountability" report for 2002. This can be downloaded from... <http://www.gao.gov/sp.html>

International Development and Collaboration

In addition to our evaluation work we are actively involved in training overseas auditors in the GAO audit process. Since 1979, more than 300 graduates from over 90 countries have completed the International Auditor Fellowship Programme.

This programme is designed to support the professional growth of GAO's counterpart organisations by providing delegates with an opportunity to explore a variety of auditing techniques and approaches, with an emphasis on performance auditing and the knowledge and skills required to undertake this work. The programme, which is managed by our Strategic Planning & External Liaison team, represents one way in which the GAO plays a leading and interactive role in the international auditing community.

The GAO also works closely with INTOSAI (the International Organisation of Supreme Audit Institutions). Our Comptroller General leads the Global Working Group in which the heads of the GAO's counterparts from 15 countries discuss mutual challenges, share experiences and identify opportunities for collaboration with one another. The GAO also chairs INTOSAI's accounting standards committee, and is an active member of the auditing standards, internal control standards, public debt and IT audit committees.



"Blue Book Reports"

With virtually the entire federal government subject to its review, GAO issues a steady stream of products--more than 1,000 reports and hundreds of testimonies by GAO officials each year. GAO's familiar "blue book" reports meet short-term immediate needs for information on a wide range of government operations. These reports also help Congress better understand issues that are newly emerging, long-term in nature,

and with more far-reaching impacts. GAO's work translates into a wide variety of legislative actions, improvements in government operations, and billions of dollars in financial benefits for the American people.

About the author

Madhav Panwar is a Technical Assistant Director and Lead Evaluator in the Office of Computer and IT Assessment. Madhav has a Master of Science degree in computer science from California State University, Chico and an undergraduate engineering degree from Columbia University, New York. He has over 15 years experience in systems engineering, and in software development and acquisition management. Prior to joining the GAO, Madhav was responsible for managing the US Navy's operations and maintenance budget for airborne avionics and software.

