

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT
TODD PLATTS, CHAIRMAN



MEDIA ADVISORY

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***"What Will It Take for the Federal Government
to Get a Handle on Its Accounting Practices?"***
Third in Series of Hearings on the "President's Management Agenda"

What: Government Reform Committee Subcommittee Oversight Hearing on "The Consolidated Financial Statements of the Federal Government for Fiscal Year 2002"

When: Tuesday April 8, 2003, 10:30pm

Where: Room 2203, Rayburn House Office Building

Background:

Billions of taxpayer dollars continue to be lost each year to waste, fraud and mismanagement in hundreds of programs in the Federal government. Historically, the Federal government has been unable to provide reliable, useful, and timely information to congressional decision-makers and agency management. This hearing will examine the consolidated financial statements, the reasons that the General Accounting Office (GAO) has been unable to express an opinion on them, and the management changes that need to take place in order for GAO to give the consolidated statements a clean opinion in the future.

On March 31, 2003, the General Accounting Office (GAO) released its audit of the consolidated financial statements for the Federal government for fiscal years 2002 and 2001. As in the previous five fiscal years, GAO found that the information in the consolidated financial statements could not be relied upon to express an "opinion" because of deficiencies in accounting and reporting across the executive branch. Although the major executive branch agencies continue to improve their financial management, many fundamental problems still exist.

For the sixth straight year, the GAO was unable to render an opinion on the Federal government's financial statements. In addition, the GAO reported significant material deficiencies that affected both the financial statements and the management of government operations. Further, the GAO found that the Federal government did not maintain effective internal controls and that Federal financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996 (FFMIA).

In GAO's audit report, Comptroller General Walker pointed to three major impediments to achieving a clean opinion on the consolidated financial statements: 1) the resolution of the serious financial management problems at the Department of Defense (DOD); 2) the Federal government's inability to account for billions of dollars of transactions between federal government entities; and 3) the Federal government's inability to properly prepare financial statements.

The Comptroller General described the financial management problems at DOD as "pervasive, complex, long-standing, and deeply rooted in virtually all business operations throughout the department." Secretary of Defense Donald Rumsfeld has placed a great emphasis on improving financial performance at DOD. However, until DOD solves their financial problems and receives a clean opinion, the entire Federal government's financial statement will continue to be unreliable.

As for the other material weaknesses that the Comptroller General noted, these problems span across the entire executive branch. Unless there is a marked improvement in the financial systems used throughout the executive branch, the Federal government will not be able to produce the kind of financial information that it needs to effectively manage its day-to-day operations. Furthermore, Congress and the Administration need timely, accurate, and useful financial and performance information to make choices about today's needs versus the long-term fiscal future. This hearing will provide a valuable opportunity to discuss these issues with GAO who audited the financial statement, the Department of the Treasury who prepared the financial statement, and the new Controller of the OMB who is responsible for guiding the executive branch towards improved financial management.

This is the third in a series of oversight hearing on the "President's Management Agenda." One of the top initiatives of the President Bush's Management Agenda is improving the Federal government's financial performance. The Committee will continue to seek solutions in making the federal government more efficient and to save the taxpayers through oversight of its programs, services and new technology.

Witnesses:

The Honorable David M. Walker, Comptroller General, U.S. General Accounting Office;

The Honorable Linda M. Springer, Controller, Office of Federal Financial Management, Office of Management and Budget; and

Donald V. Hammond, Fiscal Assistant Secretary, Department of the Treasury

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