**Statement of**
**Richard L. Gregg**
**Fiscal Assistant Secretary**
**U.S. Department of the Treasury**

**House Committee on Oversight and Government Reform**
**Subcommittee on Government Organization, Efficiency, and Financial Management**

***March 1, 2012***

Chairman Platts, thank you for inviting me to discuss the Fiscal Year (FY) 2011 Financial Report of the United States Government and the related audit. Your interest in continuing to strengthen Federal financial management is greatly appreciated.

The Financial Report of the U.S. Government provides the President, Congress, and the American people with a comprehensive view of the Federal Government's financial position.

Overall, in FY 2011, the Government's revenues increased to $2.4 trillion, and net operating cost decreased to $1.3 trillion– the latter which represents a $768 billion or 37 percent decrease from $2.1 trillion in FY 2010. The largest component in that decrease is decreases in estimates of non-cash costs from FY 2010 to FY 2011 relating to Federal employee and veterans benefits. As the costs associated with these liabilities are paid out in the future and do not yet represent a cash outlay, they are not reflected as outlays in the federal budget.

The Financial Report also explores longer-term fiscal sustainability issues, reporting on 75-year present-value projections of expenditures and revenues under current law and policy for a broad spectrum of Government revenues and spending, to include social insurance programs.

The projections in the report demonstrate that we must continue to take action to put the federal budget on a more sustainable path. The Obama Administration is committed to meeting that challenge.

The Affordable Care Act of 2010 and the Budget Control Act (BCA) of 2011 – both of which Congress passed and President Obama signed into law – are expected to help bring the Government's expenditures more in line with its receipts. Together, these two laws substantially reduce the estimated long-term fiscal gap.

But there's still more work to be done. The FY 2013 Budget that President Obama submitted on February 13, 2012 seeks to build on that progress through a balanced plan for deficit reduction. The President's Budget reduces projected deficits by a total of more than $4 trillion over the next 10 years by adding more than $3 trillion in deficit reduction to the approximately $1 trillion in savings already enacted through the discretionary caps included in the BCA. These savings would cut the deficit and begin placing federal debt on a downward path as a share of the economy by the middle part of the decade.

Addressing our nation's fiscal challenges will require a sustained commitment – not just today but for the long term. As Secretary Geithner has said, "Restoring fiscal sustainability will require substantial additional changes, including tax reforms to increase revenue and changes to make our entitlement programs sustainable over time. But these reforms, if done in a broad-based and balanced way and phased in over time to give Americans a chance to plan and adjust, will not impose an unfair or excessive burden on the citizens of this country."

**<u>Financial Management</u>**

The Federal Government continues to receive a disclaimer of opinion on the government-wide audit. Last year, I spoke to this subcommittee about my continued commitment to addressing the audit issues for which Treasury has primary responsibility – the mitigation of intragovernmental transaction imbalances and improvement of the process used to compile the Financial Report from the financial data of 150 Federal entities.

We have made significant progress on both fronts over the last year, and Treasury, working in cooperation with the Office of Management and Budget (OMB), other Federal agencies and the Government Accountability Office (GAO), is pursuing a number of strategies and solutions to resolve these issues and improve financial management across the Federal government.

- Treasury has improved precision in its analysis of intragovernmental differences in recent years, resulting in the identification and resolution of tens of billions of dollars in differences.
- Treasury has launched a coordinated, multi-faceted effort to resolve intragovernmental differences, including:
    - Establishing work groups that perform quarterly transactional analysis;
    - Taking the lead to see that reconciliations occur;
    - Implementing agency performance metrics; and
    - Developing an automated system and process to proactively address this issue for the long-term.
- During FY 2012, the Department will implement a central account group or "General Fund" against which millions of transactions can be reconciled and validated. The original government-wide accounting construct lacked a central account of this type, giving rise to audit issues. This effort will complete the government-wide accounting model, meeting a long unfulfilled need and facilitating intragovernmental transaction reconciliation and data compilation.
- While additional work remains to resolve these issues, we have reduced the number of GAO audit findings by two-thirds.

**<u>Other Financial Management Improvement Strategies and Actions:</u>**

- Treasury has developed a standard, government-wide electronic invoice portal, which vendors can use to submit invoices against any government purchase order. This effort will reduce costs while improving the disbursement process.

- Treasury’s effort to expand the use of electronic transactions, including initiating plans to gradually eliminate paper check benefit payments, the discontinuation of paper savings bond purchases, and discontinue paper tax deposits by businesses, is estimated to save over $500 million in the next five years. This electronic initiative will also increase accuracy and improve customer service.
- Treasury is supporting OMB efforts to reduce improper payments by establishing and supporting the Administration’s GOVerify portal to prevent ineligible recipients from receiving Federal payments.
- Treasury, working with OMB, has taken steps to improve the collection of delinquent debt. These actions are projected to substantially increase collections over the next 10 years.
- Treasury is exploring how cross- and central-servicing across a variety of functions and processes can be further leveraged to increase efficiency and reduce costs.
- Finally, the President’s FY 2013 Budget proposes that the Bureau of the Public Debt and the Financial Management Service consolidate into the Fiscal Service, which will report to the Fiscal Assistant Secretary. The proposed consolidation will enable the Fiscal Service to provide financial management leadership across the government and also result in savings of $36 million over five years, starting in FY 2014.

**Conclusion**

The process of preparing the government-wide Financial Report is challenging and depends upon the coordinated efforts of thousands of dedicated personnel across hundreds of agencies. These individuals and organizations should be commended for their tremendous efforts each year to improve and ensure the integrity of the Federal Government’s financial information. While vast improvements have been made in Federal financial management in recent years, considerable opportunities for further improvement remain. Treasury looks forward to continuing to work with OMB, GAO, and the many Federal agencies to improve Federal financial management.

Thank you, Mr. Chairman. This concludes my testimony. I look forward to your questions.

**Richard Gregg**

**Fiscal Assistant Secretary**

On May 12, 2010, Treasury Secretary Tim Geithner appointed Richard L. (Dick) Gregg to the position of Fiscal Assistant Secretary. Gregg had been Acting Fiscal Assistant Secretary since May 2009.

Prior to his previous retirement from the Treasury Department on May 30, 2006, Gregg was the Commissioner of the Financial Management Service for nine years and before that served as Commissioner of the Bureau of the Public Debt for 10 years. Gregg also held numerous other management positions at Treasury during his career.

The Fiscal Assistant Secretary, who reports to the Under Secretary for Domestic Finance, is responsible for developing policy on payments, collections, debt financing operations, electronic commerce, government wide accounting, and government investment fund management. The responsibility also includes managing the government's daily cash position and producing the cash and debt forecasts used to determine the size and timing of the government's financing operations.

The Fiscal Assistant Secretary also oversees the Financial Management Service and the Bureau of the Public Debt. These Treasury bureaus provide the financial infrastructure of the Federal government, including payments, collections, cash management, financing, central accounting, issuance of Treasury securities, and delinquent debt collection.