

ISSUE BRIEF | Government Affairs and
The Center for American Prosperity

Government Auditing Reform: Build on DOGE Findings

TOPLINE POINTS

- ★ A new administration should take the time to account for existing spending on an annual fiscal cycle before undertaking cost-savings. Only by following the annual auditing requirements will government agencies have a clear picture of current funds available and the potential for taxpayer savings.
- ★ Setting milestones for problem agencies or government programs by establishing line-item accounting requirements will help to better account for overall progress on policy. Such reform would help Congress and an administration measure success, hit milestones, and uncover unlawful spending practices.
- ★ The Department of Government Efficiency (DOGE) has identified deficiencies in government spending and accounting and more importantly, legal barriers preventing real change. Using reforms highlighted by DOGE as a roadmap for performance audits and adding line-item accounting requirements for troublesome government agencies and programs will both ensure accountability of taxpayer funds and that the use of these funds aligns with American values.

INTRODUCTION

The purpose of government auditing is rooted in reforming and improving how governments provide programs and services. Government agencies have evolved over the years to identify or rectify systemic inefficiencies, ineffective processes, and vulnerabilities to corruption; however, persistent issues remain. These include incomplete or multiple failed audits, unaccounted-for funds, unnecessary or incomplete accounting, and, in certain cases, unchecked waste, fraud, and abuse. This brief outlines the core components of failed audits, highlights evidence of inefficiencies and corruption risks and failures, and proposes actionable policy ideas to strengthen oversight and accountability.

BACKGROUND

The United States Constitution grants Congress oversight powers by implying that Congress must be informed about the execution of laws and programs that it creates. This oversight is crucial for Congress to fulfill its legislative obligations, which include enacting laws and ensuring they are properly implemented.

The General Accounting Act of 1921 established the framework for the modern federal budget. The Act also created the General Accounting Office (GAO), which is a non-partisan audit, evaluation, and investigative arm of Congress. The General Accounting Act provides ethical standards to safeguard general financial accounting for government, a practice the GAO continues. To this point, there are still elements of GAO audits that are not performance- or efficiency-based and merely serve to highlight existing accounting already being done by government agencies. Government programs that have either been repeatedly identified to be high-cost, low-return, or generally ineffective are not subject to audit that would lead to remediation or termination. The Impoundment Control Act of 1974 is a provision put in place by Congress to ensure that taxpayer money appropriated by Congress is spent at the executive level. Still, even with these safeguards, elements of financial audits (either by GAO or agencies themselves) only seem to highlight duplicitous, repetitive, and unnecessary information.

The larger and more pressing question remains: how can governments effectively and holistically audit without knowing how much money the government has or from what accounts the money is coming from?

The most recent example of this crisis comes from the Biden-Harris Administration, as the following outlines well-known examples of agency auditing.

Department of Defense (DOD)

- The DOD has [failed](#) its annual audit for seven consecutive years. The agency cannot fully account for its \$824 billion budget.
- The agency has [documented](#) 28 material weaknesses, 2 significant deficiencies [related](#) to the DOD's internal controls over financial reporting, and more than \$1 trillion in asset discrepancies.
- The DOD could not [account](#) for 61% of \$3.5 trillion in assets and \$3.7 trillion in liabilities after a 2022 audit conducted by 1,600 auditors.
- The DOD's lack of accountability, inability to properly self-audit, and clerical accounting errors [cost](#) American taxpayers \$1 billion each year.

Department of Energy (DOE)

- The DOE failed to [audit](#) over \$3.4 billion from 3,000 subcontracts over the past 10 years.
- The DOE's Inspector General (OIG) [identified](#) "nearly \$1 billion in potential savings and recoveries of taxpayer dollars lost to fraud, waste, and abuse."
- An OIG special report in March 2024 [found](#) that the DOE lacks the necessary data to "evaluate and effectively manage risks, or gain visibility into program results... [which] presents data access, management, and analytics challenges that hinder the Department's ability to enhance data-driven decision making, detect fraud, and ensure appropriate stewardship of Federal resources."

Federal Reserve

- Financial mismanagement and the failure to enforce sound monetary policy to create accountable financial institutions are endemic within the Federal Reserve.



Failing to act, inflation reached a 40-year high of 9% during the Biden-Harris Administration—well above the 2% target for action.

- The Federal Reserve facilitated out-of-control government spending by greatly increasing the [monetary base](#), continuing long after the economy emerged from the depths of the pandemic, and by waiting to resume raising interest rates until after [inflation](#) exceeded 8%.
- Three of the four largest bank failures in U.S. history occurred in 2023. [Federal Reserve dividends](#) to the Treasury were just \$581 million (compared to \$106.7 billion in fiscal year 2022) during fiscal year 2023, and [CBO forecasts](#) showed no expectation of significant returns until 2029.

MOMENTUM FOR REFORM

The intent of a government audit is for the government to improve government and government-funded program performance, as well as steward a timely accounting of taxpayer funds. Current government accounting practices do not provide forward-looking prescriptions for system improvements or milestones for reform, as they often duplicate existing efforts. Some examples demonstrate gross overreach that blurs the separation of powers. Even federal agency audits by GAO seem misplaced, misspent, or not appropriately circulated, which reflects poor stewardship of taxpayer funds and invites much-needed reform.

One example of this is when Congress, on a bipartisan basis, appropriated [\\$5.4 billion](#) in funds to complete the wall on the southwestern border. Yet, GAO failed to take legal action when the Biden-Harris Administration stopped construction in early 2021 and canceled wall contracts, who stated “that the Biden Administration’s decision to halt funding for the construction of the border wall was only legal and valid in GAO’s estimation if the funds are not withheld for policy reasons.” The GAO later determined that these funds were withheld for policy reasons in late 2024. Another example was when the Biden-Harris Administration’s Treasury Department transferred a historic [\\$15 billion](#) to the Department of Justice for the purpose of establishing a reproductive rights task force, all the while prosecuting fewer immigration cases and using USCIS to adjudicate asylum cases.

Despite its faults, the practice of government performance auditing that was developed in the late 1960s and shepherded by the GAO has been largely positive and a step in the right direction. According to GAO, between 2018 and 2022, the federal government lost between [\\$233 billion and \\$521 billion](#) annually to fraud. Additionally, federal improper payment estimates have totaled [about \\$2.8 trillion](#) since FY 2003—and the actual amount may be significantly higher because this is based on a small number of programs that report these numbers. For instance, 16 agencies reported a total of about \$162 billion in improper payments across 68 programs in FY 2024. Most (75%) of these improper payments were from five programs, including Medicare, Medicaid, Earned Income Tax Credit, Supplemental Nutrition Assistance Program (SNAP), and the Restaurant Revitalization Fund. Risk sharing with states that help administer these programs is a practice that AFPI has advocated for and would help to reduce losses associated with improper payments.



POLICY RECOMMENDATIONS

Congress and the federal government should consider reforming the practice of government auditing in order to ensure a system that is efficient, transparent, and accountable for proper remittance and use of taxpayer dollars.

- **Annual Accounting:** The Office of Management and Budget (OMB) outlines financial reporting requirements for the federal government. While these requirements may vary for specific government agencies, the process applies across the government. A new administration should have time to account for existing spending on an annual fiscal cycle before undertaking cost savings. The Trump Administration, for example, should have had time to account for the runaway government spending during the Biden Administration. For example, the Biden Administration's unlawful weaponization of government--combined with open-border policies that ballooned spending on services for illegal immigrants—led to millions of dollars in unaccounted funds spent, causing wide disarray and funding discrepancies across agencies. Only by following the annual auditing requirements will government agencies have a clear picture of current funds available and the potential for taxpayer savings.
- **Performance Audits:** Basing auditing reforms on the performance of programs will help to determine the viability and effectiveness of government programs. This will enhance reporting on milestones for an Administration's Agenda and accountability to the American people through Congress. Since government spending is reported to Congress in "[buckets](#)" based on program-wide spending, setting milestones for specific actions by establishing line-item accounting requirements for agencies or programs with a history of non-compliance will help account for overall progress in achieving certain reforms. Adding line-item accounting for money spent on "DEI," for example, or taxpayer-funded abortions would help Congress identify if these practices were eliminated as required by law. Setting time limits for these requirements would limit the overburdening of government with reporting and would use precision to target problem areas.
- **Build upon Reforms:** The greatest contribution of actions undertaken by the newly established Department of Government Efficiency (DOGE) was that it highlighted problems and deficiencies in government spending and accounting and identified troublesome government agencies. Using reforms proposed by DOGE as a roadmap for performance audits and adding line-item accounting requirements for these problem areas and for statutory barriers preventing real reform will ensure both accountability for taxpayer funds and that overall taxpayer spending aligns with American values.

