

GAO Highlights

Highlights of [GAO-14-244](#), a report to the Chairman, Committee on the Budget, House of Representatives

Why GAO Did This Study

On March 1, 2013, pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, the President ordered an across-the-board cancellation of budgetary resources—known as sequestration—to achieve \$85.3 billion in reductions across federal government accounts.

GAO was asked to evaluate how agencies prepared for and implemented sequestration. This report examines (1) the effects of fiscal year 2013 sequestration on agency operations, performance, or services to the public; (2) how agencies prepared and planned for sequestration; and (3) how agencies implemented sequestration. GAO collected standard information from and interviewed chief financial officers or their designee in 23 federal agencies and OMB, and reviewed documents when available to corroborate the information reported. GAO did not assess the appropriateness of actions taken.

What GAO Recommends

GAO recommends that the Director, OMB (1) publish the criteria used to determine which accounts and programs, projects, and activities were exempt from sequestration, and which accounts contain funds that are temporarily sequestered and available for obligation in future years; and (2) direct agencies to record their decisions and principles used to implement sequestration for potential future application. OMB agreed with GAO's recommendations and plans to publish its criteria and reiterate to agencies the importance of recording decisions.

View [GAO-14-244](#). For more information, contact Michelle Sager at (202) 512-6806 or sagem@gao.gov or Edda Emmanuelli Perez at (202) 512-2853 or emmanuellipereze@gao.gov.

March 2014

2013 SEQUESTRATION

Agencies Reduced Some Services and Investments, While Taking Certain Actions to Mitigate Effects

What GAO Found

Fiscal year 2013 sequestration reduced or delayed some public services and disrupted some operations in the 23 federal agencies GAO reviewed, even though agencies took actions to minimize the effects. For example, agencies reported that sequestration reduced assistance for education, housing, and nutrition, as well as health and science research and development grants. Agencies also reported delaying investments such as information technology and facilities projects. Some federal services also experienced backlogs and delays as a result of personnel actions including limiting hiring and furloughing employees. However, many of the effects of sequestration could not be quantified or will not be known until future years, if at all, for a number of reasons including the timing of when funds are disbursed (such as grant cycles that start late in the fiscal year), challenges in isolating the effects from other factors, and the lack of currently available performance data for some programs. Moreover, congressional and agency actions mitigated some potential effects by shifting funds to higher priorities while deferring or reducing funding for lower priorities.

Most agencies began sequestration preparation and planning in 2012, but uncertainty over if and when it would occur, and how to implement it, delayed resource allocation decisions. While the Office of Management and Budget (OMB) identified exemptions and special rules relevant to certain accounts in a September 2012 report, issues regarding application of sequestration continued to be reviewed after the March 1, 2013, sequestration order. In some cases, agencies said they lacked sufficient information to determine whether funds sequestered from certain user fees and trust fund accounts were temporarily canceled in fiscal year 2013 but would be available in fiscal year 2014, creating uncertainty about available budgetary resources. The Sequestration Transparency Act of 2012 required OMB to report data and explanations to enhance public understanding of sequestration. However, OMB did not make publicly available its criteria for determining which programs were exempt. Further, because this was the first sequestration in more than two decades, agencies said they lacked institutional knowledge about applying sequestration to certain programs, such as those funded through fees and trust funds, which created planning challenges and delayed resource allocation decisions. Federal internal control standards indicate that to ensure communications are relevant, reliable, and timely, agencies should identify and record pertinent information needed to carry out their duties.

To implement sequestration, most agencies reported using funding flexibilities to balance mission protection and required sequestration reductions. These flexibilities included reprogramming funds within an account, transferring funds between accounts, and using unobligated balances from prior years. However, funding flexibilities may be more limited in future years. Nevertheless, 19 agencies reported curtailing hiring; 16 reported rescoping or delaying contracts or grants for core mission activities; 19 reported reducing employee training; 20 reported reducing employee travel; and 7 reported furloughing more than 770,000 employees from 1 to 7 days. GAO's report includes summary results for the 23 agencies reviewed as well as individual agency sections.