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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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STATEMENT OF

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COMPTROLLER GENERAL OF THE UNITED STATES

BEFORE THE

LEGISLATIVE SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

BUDGET ESTIMATES FOR FISCAL YEAR 1987



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Mr. Chairman and Members of the Subcommittee:

I am pleased to discuss GAO's budget request for fiscal year 1987. The Justification of Estimates for that year, which you already have, describes our request in detail.

In fiscal year 1987 we are requesting \$349.6 million to fund 5,200 average positions. This will provide funding for an increase of 100 average positions over those authorized in 1985. It is another step toward achieving the 5,500 average position level which, barring current budgetary constraints, will permit us to properly fulfill GAO's total responsibilities.

We have reviewed the effects of Gramm-Rudman-Hollings on the GAO for fiscal year 1986 and have taken some specific management actions which I would like to review with you in more detail later in my statement. The effect of these reductions on our fiscal year 1987 request, however, is still uncertain and difficult for us to predict. I expect that as we get closer to bill mark-up, we will know better where we stand and will be able to work with the Committee to make appropriate adjustments, if necessary, to our fiscal year 1987 estimates.

GAO's work has always been of value as we seek ways to improve the effectiveness of government programs; however, GAO's work should be of increasing importance as the Congress looks for ways to trim deficits in accordance with the goals of the Balanced Budget and Emergency Deficit Control Act, and as we seek ways to improve the effectiveness of government programs. If we continue to receive the necessary resources, I believe we can respond to congressional needs with high-quality, timely work which the

Congress can rely on in making difficult decisions. Our record of accomplishment shows that we annually return considerably more in savings than is appropriated to us.

GAO WORK IN FY 1985

1985 was an excellent year for GAO. We issued 586 reports, 366 of which were requested by committees and members of Congress. The quality and usefulness of GAO's work continued to improve, and we initiated major efforts to improve the format and timeliness of our reports. Most importantly GAO recommendations to Congress and agency officials contributed to improved government operations in numerous areas.

In fiscal year 1985, GAO again demonstrated its ability to save significant dollars from agencies' programs and appropriations by identifying \$11 billion in measurable savings. In the 4 1/2 years that I have been at GAO, our work has resulted in total measurable savings of \$26.7 billion. These are real dollar savings involving budget reductions, collections, and better use of available resources.

Some examples of these savings in fiscal year 1985 follow.

Tax Policy and Administration

On a number of occasions, GAO informed the Congress that voluntary compliance with the nation's income tax system was decreasing and that additional staff at IRS would cause a large and immediate flow of tax revenues. As a result of GAO's work, Congress provided the IRS with over 5,000 additional positions. IRS estimates that this initiative has resulted in a net increase in income tax collections of about \$2.9 billion in the first year and an average annual increase of slightly more than \$3 billion in subsequent years.

Army

In a series of reports, congressional briefings, and testimony on the Army's plan to procure the Sergeant York gun (also known as the DIVAD gun), GAO expressed its concern that the Army would procure a weapon that had not proven itself in testing. The Secretary of Defense ordered additional testing before committing the government to further procurement of the Sergeant York gun. When the weapon did not perform well in the tests, the Secretary cancelled the program resulting in a savings of over \$1 billion.

Energy

The Department of Energy enriches uranium for use as fuel in nuclear power reactors. Since 1980, GAO has questioned the justification for building a new, multibillion-dollar enrichment facility known as the gas centrifuge enrichment project. GAO found that the demand for the Department's enrichment services had decreased dramatically since the project was authorized and recommended that the Department demonstrate that the centrifuge project was needed and more economical than other technologies. After the Department completed the analysis we recommended, the Secretary of Energy decided to cancel the project because the analysis did not support continuing construction. This action resulted in savings of \$822 million.

Navy

GAO reported that the Navy had prior-year shipbuilding and conversion funds that were no longer needed and could be used for other purposes. Acting on this information, the Congress made these funds available to cover Navy personnel and operation and maintenance expenses in fiscal year 1985. This action precluded the need for Congress to provide \$323 million of new appropriations to cover other expenses.

Health Financing

GAO recommended that the Social Security Administration (SSA) provide states with insurance information on Medicaid/Supplemental Security Insurance applicants so that the states could identify medical claims that private insurers should properly pay. Acting on GAO's recommendations, SSA and the Health Care Financing Administration (HCFA) conducted a successful pilot project and provided states with the information on Medicaid/Supplemental Security Insurance applicants. HCFA estimated that, by using this information, participating states are increasing the amount of health care costs paid by private insurers and reducing both federal and state Medicaid costs. The estimated financial benefits from our recommendations are \$45.7 million.

MAJOR INITIATIVES

Since I became Comptroller General in 1981, requests from committees and members of Congress, including bill reports and legislation, have shifted GAO's workload priorities. In fiscal year 1981, 39 percent of our work effort was in direct response to congressional requests; this proportion continued to rise and in fiscal year 1985, this level rose to 57 percent; and in the first quarter of fiscal year 1986, this upward trend continues with the percentage rising to 71 percent.

In September 1985, I issued a memo to GAO staff clearly stating that responding to congressional requests is GAO's top priority. As a result, GAO has placed considerably more emphasis on responding more quickly to congressional requests and on improving the efficiency and effectiveness of its work.

During 1985, progress was made in each of the major areas of interest discussed during our last appropriation hearing. Let me summarize.

Timeliness of Reports

Beginning in 1985, we began to develop new products with the intention of providing the results of our work to the Congress more quickly. We now have a new set of products called briefing reports and fact sheets. These products are designed to provide information and analysis quickly and concisely--usually in tables, charts, or graphs--and are prepared and signed by our associate directors. The products can be tailored to the specific needs of the Congress and can usually be prepared and issued more quickly than a formal report. You may recall, Mr. Chairman, that we used one of these new products to respond quickly to a request that you made at last year's hearing on the impact of the potential closing of hundreds of Social Security district offices. From October through the end of January, we had issued more than 50 of these new products in fiscal year 1986.

As part of our emphasis on timeliness, we are continuing our program of moving report review functions to the operating divisions. The Program Evaluation and Methodology Division will assume review responsibility March 1, with the remaining two divisions to follow later this year. Moving report review functions to the divisions speeds up report processing.

Even with our increased emphasis on timeliness, GAO must and will maintain its high standards of quality and accuracy. We will continue to experiment with ways to achieve consistently high-quality products in the most efficient ways possible.

Long-Range ADP Plan

GAO has spent an intensive 6 months in developing a long-range information resources plan. A combined team of GAO and contractor staff interviewed several hundred staff members on many levels of the

organization to define the agency's requirements for information resources. The team also utilized the information developed as part of the former CAMIS program. The team worked closely with our divisions, regions, and offices to refine this data and to build it into a framework that would meet GAO's evolving needs. A steering committee of GAO's executives has worked with the project team to ensure that the plan would be operationally, as well as technically, sound. The final plan is expected to be completed in March 1986. We will discuss the plan with the Committee staff before it is finalized and will provide a copy to the Committee.

Executive Education

GAO initiated its Technical Executive Education Program in fiscal year 1986 with the development and implementation of four 1/2 day briefings and five extended in-depth seminars in the areas of design/methodology, economics, and quantitative skills. These seminars will be continued until all the SES and the GS-15 staff training needs have been met.

Also, in fiscal year 1987, two executive technical seminars will be added; one in the area of data reliability and the other concerning current national policy issues.

The core technical curriculum for career-level evaluators is now in place and it continually updates our journeyman-level evaluators in new methods and skills; many of the skills identified by our executive panels in the financial management, economics, and methodology areas during fiscal year 1985 are now being taught to large numbers of staff.

Financial Management System

In fiscal year 1985, GAO procured a financial management system package which will result in some interim changes to our financial

management system pending the completion of our long range ADP plan.

Installation of these interim changes is proceeding well, and they should be operational by the beginning of fiscal year 1987. They will replace some antiquated portions of existing financial management systems, and will enable GAO to prepare its financial statements in accordance with generally accepted accounting principles and standards.

Office of Affirmative Action Plans

Following last year's hearing, I decided to settle two pending discrimination class action suits before their appeal to the federal courts. I very much appreciate your support of this decision by appropriating the necessary funds to make the required payments.

I want all GAO staff to fully develop their potential and to be treated fairly in all aspects of our operations. In keeping with this, I recently established an Office of Affirmative Action Plans, reporting to the Assistant Comptroller General for Operations. This new office is assuming certain responsibilities previously assigned to our Civil Rights Office.

The organizational placement of the new office is intended to directly link GAO's affirmative action program with employment, promotions, and other line functions. The office will work with GAO officials to establish individual unit goals and timetables for hiring and promoting women and minorities and will monitor progress toward achieving the goals.

Office of Publishing and Product Communications

I have consolidated publishing functions that were dispersed among various offices in the GAO, into The Office of Publishing and Product Communications. This office will now manage such things as visual

communications and presentation standards, in addition to the printing and reproduction functions it performed in the past.

Assignments to Congressional Committees

The conference report on our fiscal year 1986 appropriations bill requested GAO to analyze the impact of assignments of staff to congressional committees and to make recommendations to correct any problems that are identified.

The number of requests for staff has increased modestly in recent years. In fiscal year 1985, we assigned 117 staff members to congressional committees for periods up to a 12-month limit. Several committees use GAO frequently, and in some cases we have had to make exceptions to the 1-year limit for assignments to committees.

Generally, GAO is not reimbursed for salary, travel or other expenses incurred by GAO staff, with the exception of the Surveys and Investigations staff of the House Appropriations Committee. This staff consistently reimburses GAO for travel expenses. Also, during 1985, we were reimbursed for travel expenses for staff assigned to the House Committee on House Administration to recount ballots in Indiana, and are from time to time reimbursed for travel expenses incurred by GAO staff assigned to other House and Senate Committees.

During our review we have identified 2 principal issues that we need to explore further before we can determine whether specific recommendations to the Committee are necessary.

1. Regarding instances where individuals assigned to committees have been extended beyond one year, it is important for us to enforce the one year rule if we are to maintain continuity in our own

operations as well as in the individual's personal development program. A one year tour permits our people to grow in experience, which is essential to their career development when they return. We cannot always convince the committees involved of the need to plan committee work so as to avoid overly long retention of GAO personnel.

2. Committees periodically request GAO people by name. Depending on an individual's job assignment, honoring a named request can be difficult without seriously disrupting other priority work. Our policy is to send the best possible staff to the Hill, consistent with the nature of the request. We must retain the flexibility in assigning staff to give more of our staff the experience of working for a committee and to demonstrate to the requesters the full range of capabilities of the GAO staff. We need the flexibility of insuring that a maximum number of GAO employees have the opportunity for a congressional detail.

I am concerned, however, that as the effects of Gramm-Rudman-Hollings are felt by congressional committees, GAO may be called upon more frequently to assign staff to committees. I will monitor this situation and will keep the Committee informed if problems arise that we cannot resolve.

Latin America Office

GAO is closing its office in Panama City, Republic of Panama, effective September 30, 1986. This office assists our Washington divisions in doing programmatic work in Central and South America, and in doing a financial audit of the Panama Canal Commission. GAO will still be

responsible for doing this work. However, each assignment will be staffed from our Washington offices with some assistance from our regional offices.

1987 REQUEST

I recognize this will be a difficult year to authorize any increases in staff size. But, I believe our request is justified. GAO plays an important role in identifying areas where government can be improved. During the next several years, a strong, well-staffed GAO will be one of the most important assets Congress has for making the difficult decisions necessary to reduce the budget.

As noted earlier in this statement, we are requesting an increase of 100 average positions over the level authorized for fiscal year 1986. We intend to use them in issue areas that continue to demand extra resources--staff that cannot otherwise be made available to accomplish our increasing workload.

The breakdown of that request follows:

- 25 in the defense area to provide more coverage on defense procurement matters and the way DOD acquires military goods and services.
- 35 to help us meet defined objectives in our reviews of complex government-wide ADP and telecommunications programs.
- 25 for conducting audits of agencies' financial operations.
- 15 to conduct special investigations of alleged fraud, waste and abuse in federal programs. We are receiving a considerable increase in requests for investigations, an area where GAO has not been active in the recent past and where we lack sufficient expertise.

Investigations

I will soon be announcing the establishment of an investigations group in the Office of the General Counsel. This group will be primarily responsible for investigating alleged problems of waste, fraud, and abuse in federal program management. The initial staffing will be limited because of budgetary constraints and to assure we develop appropriate policies and procedures for doing this type of work well. I will keep the committee informed of our progress. Establishment of this group is in direct response to the questions raised by you and other committees concerning GAO's lowered involvement in this type of evaluative work.

Governmental Accounting Standards Board

This year we are making the second of 2 payments of \$50,000 as a federal contribution to the establishment of the Governmental Accounting Standards Board. I am asking that the provision authorizing this payment in our appropriation language not be deleted as the committee intended last year. I believe that this modest sum should continue to be provided for the 3 years that remain before the Board's scheduled "sunset". Doing so will ensure full implementation of the Board's original goals of determining uniform accounting standards for state and local governments. We also hope that some of the Board's work may be applicable to the federal government, in which case we would seek to adopt these rules as part of our regular process of setting accounting standards for federal agencies.

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

The Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as Gramm-Rudman-Hollings, affected GAO in two ways:

- (1) GAO played a major role in implementing the act in fiscal year 1986 and
- (2) GAO's resources were reduced in accordance with the President's

February 1, 1986, Executive Order. Allow me to summarize these two actions.

GAO's Role

The act required the Comptroller General to review the reports of the Directors of the Congressional Budget Office and the Office of Management and Budget and to issue a separate report to the President identifying the specific cuts that were to be made in each program, project, and activity. The Comptroller General was required to independently analyze the Directors' report and the underlying support and, based on this review, to issue his own report specifying the percentages and amounts by which programs are to be reduced. The Comptroller General's report was issued on January 21, 1986, in accordance with the act. GAO staff were used to conduct the necessary analysis, and a select group of consultants was used to assist in assessing the economic assumptions and the Department of Defense expenditure estimates.

The act also requires that the Comptroller General issue a report on April 1 specifying whether or not the President's sequestration order complied with the act. GAO staff are now doing the work required as a basis for that report.

As you know, a special district court ruled on February 7, 1986, that the Comptroller General's role in administering the act is unconstitutional. This decision is being appealed to the Supreme Court.

Impact on GAO's Operations

Like all government agencies, GAO is subject to the act's provisions. We are taking steps to reduce GAO's budget by 4.3 percent. To accomplish this, we are:

--Implementing a hiring freeze for the remainder of the fiscal year.

Use of average positions will be decreased by 58, eliminating completely the growth planned for fiscal year 1986 over 1985. While this reduction hopefully is achievable through attrition, inability to replace critical vacancies such as attorneys, computer specialists, secretaries, and accountants will impair GAO's ability to do some of its work, which might include some congressional assignments.

--Reducing funds available for travel by \$2.85 million. This will require an elimination of travel for almost all administrative purposes, a reduction in supervisory travel on jobs, and a reduction in the scope of some jobs. Efforts will be made to insure that the integrity of our jobs is not compromised, but we may have to defer some jobs pending availability of additional resources.

--Reducing training by 34 percent, or \$0.8 million. Although this will permit us to continue institutional courses for new evaluators, it will limit technical training of middle and senior level staff and will dramatically reduce GAO staff's presence at external conferences, seminars, and workshops where travel and/or registration fees are required. Attendance at those forums is intended to enhance the knowledge and skills of evaluators and managers to perform GAO's scope of assignments by permitting them to be exposed to the latest developments within their chosen areas of expertise.

--Reducing timesharing and other ADP services by about \$880,000. The scoping of many jobs will have to be revised with some work being postponed until more resources can be identified. Planned alterations to administrative systems will be deferred.

--Sharply curtailing contracts for services of experts in fields where GAO lacks such expertise. We are concerned about the impact of this reduction on the scope and timeliness of certain reports to the Congress and will take precautions to maximize the availability of funds for congressional work.

If demands placed on GAO result in our inability to achieve these and the other planned reductions, we will have to furlough all employees this summer for 1 or 2 days.

CONCLUSION

We believe that the Congress will continue to look to GAO for assistance in solving very difficult program administration and funding problems. GAO needs to be staffed with effectively trained personnel to adequately respond to increasing requests for information from committees and members of Congress. You have supported us in the past and we hope you will continue to do so in the coming years. This ends my formal statement, Mr. Chairman. I am pleased to have this opportunity to respond to your questions.

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