

GAO

Testimony

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CONGRESSIONAL OVERSIGHT

The General Accounting Office

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Comptroller General of the United States



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Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the accomplishments, current operations, and future of the General Accounting Office (GAO). Periodic congressional oversight is critical to the effective operation of any agency, and it is particularly important to us at GAO because of our significant role in serving the Congress.

Our last oversight hearing before this committee was in October 1985, at which time we were making a number of significant organizational and operational changes aimed at (1) making GAO more responsive to the Congress, (2) enhancing the quality and timeliness of our products and services, (3) building staff capability and improving our human resource management, and (4) increasing the efficiency of our work. I am happy to report that these investments, many of which were made with the support and active participation of the Congress, have paid significant dividends, both in our service to the Congress and in the impact of our work on government effectiveness and financial savings for the American people.

Today, I will detail some of the changes that I believe have been crucial in determining our effectiveness, discuss some recent policy changes, and describe what we still must do to continue improving as an institution. First, though, I'd like to talk a little bit about GAO's mission and provide you with some comparative statistics that illustrate our significant progress.

A MISSION OF SERVICE TO THE CONGRESS

The General Accounting Office assists the Congress in its legislative oversight of the executive branch. We see our mission as encouraging honest, efficient management and full accountability throughout government. We serve the public interest by providing Members of the Congress and other policymakers with accurate information, unbiased analysis, and objective recommendations on how to best use public resources.

A commitment to quality is the single most important principle governing our work. We define high quality work as (1) objective and independently derived; (2) accurate, timely, and meaningful; and (3) presented in a way most useful to responsible officials. The agency values its people and the diversity and skills they bring to the service of the Congress and the American public.

As you know, much of our work is done for congressional committees. GAO is required by law to undertake work requested by committee chairs, but as a matter of policy, we also assign equal priority to requests from ranking minority members. The issues examined by GAO span the breadth of national concerns: health care costs, national security, energy, the safety and soundness of financial institutions, environmental protection, education, the space program, transportation, tax administration, income security, disaster assistance, and many others.

While audits and evaluations are the most visible aspects of our work and absorb the largest share of our resources, GAO has many other functions. Present-day accounting activities include prescribing accounting principles and auditing standards for the entire government and evaluating accounting systems and controls used by executive agencies. GAO settles claims against the federal government when a settlement made by an executive agency is appealed. In addition, we issue legal decisions on matters involving government revenues

and expenditures. Finally, GAO resolves protests made against the award of federal government contracts; the agency handles about 3,000 such bids each year.

Our mission has been influenced by hundreds of provisions in individual laws directing GAO to undertake specific audits or reviews and giving GAO the authority to examine previously off-limit agencies, such as the FBI or IRS. Literally, thousands of other studies have either been assigned to GAO in congressional committee reports or requested by committee chairs, ranking minority members, or individual senators and representatives. These many demands have shaped GAO's role and have pushed us toward increasingly complex questions.

In order to do this work, GAO has become an agency of men and women who possess knowledge and skills in a host of disciplines--a highly professional organization made up of public administrators and social scientists, accountants and lawyers, actuaries and statisticians, economists and computer specialists, engineers and health care specialists, public policy experts and criminal investigators. Virtually all our professional staff are college educated, and nearly 50 percent have advanced degrees.

To carry out its duties, GAO also draws upon its unique organization, its authorizing legislation, and its reputation:

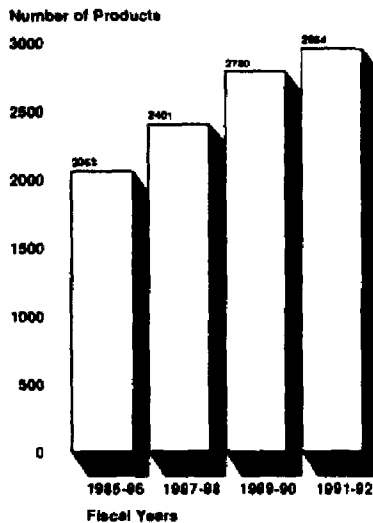
- GAO has a field structure unique among congressional support agencies. Staff are located not just in Washington, but throughout the country, with a small contingent in Europe. This gives GAO the ability "to follow the federal dollar wherever it goes" and to gather data firsthand. This ability to gather data means that the Congress need not be dependent upon the executive branch or interest groups for the information it needs.
- By statute, we have access to essentially all federal records at their source. This is important because, as you can imagine, not everyone we audit is predisposed to turning over records that might raise questions about how well they are managing. In addition, our reputation for the care with which we handle data frequently means that our staff can gain voluntary access to sensitive or proprietary data that would be unavailable to others.
- To enhance our ability to effect improvements in government, we are authorized to make recommendations, in addition to analyzing data, reaching conclusions, and reporting facts.
- Our reports tend to have great credibility, and almost all are made available to the public and can therefore be used not only by any Member of the Congress, but also by agency officials, academics, and ordinary citizens.

GAO WORKLOAD, PRODUCTIVITY, AND IMPACT

To provide a more complete understanding of our current role and the contribution we make to congressional effectiveness, I'd like to briefly review how our workload, our service to the Congress, and our contributions to the taxpayers have grown in recent years.

These statistics highlight GAO productivity improvements since 1985, the year of our last oversight hearing before this committee. This 8-year period gives us a useful measurement of the pace of change because we had roughly the same number of staff during the entire period. Let me direct your attention to the first chart, which shows a steady upward trend in the number of our evaluation and audit products.

GAO Product Volume Has Increased



We completed nearly 3,000 products during the last 2 years--a 44-percent increase over the total for the fiscal year 1985 to 1986 period. This product figure includes 1,942 reports to the Congress and agency officials, 566 testimony appearances before the Congress, 321 formal congressional briefings, and 125 congressional letters transmitting audit findings.

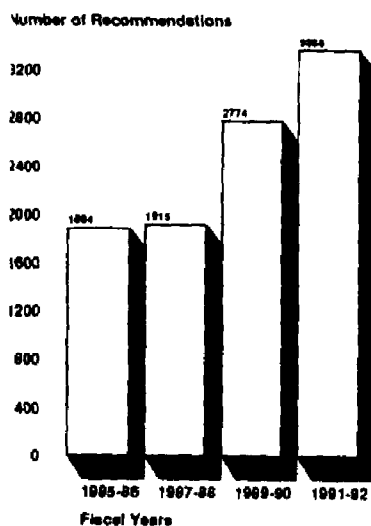
These overall increases are largely explained by a much greater level of service to the Congress. For example, as shown in the next table, our production rate for congressional reports and testimonies increased by 100 percent and 147 percent, respectively, over the 8-year period. This shows the extent to which congressional committees are increasingly finding GAO's work relevant to and useful in addressing issues of concern to the Congress. Incidentally, in 1992, 72 GAO executives testified, which is up from 42 witnesses in 1985. I believe this illustrates the increased level of expertise in our senior executive ranks.

GAO Support to the Congress Has Increased

	1985	1992	% Increase
Reports to the Congress	457	915	100
Testimony	117	289	147
Different Lead Witnesses	42	72	71
Completed Congressionals	669	1,535	129

Completed congressional assignments have also more than doubled since 1985. The proportion of our staff years spent on the specific requests of the Congress has also increased, from 35 percent when I took office in 1981, to 57 percent in 1985 and 82 percent in 1992. In fact, in 1992, we addressed at least one written report to 213 House Members and 86 Senators. Compared to 1985, this is an 82-percent increase in the number of House Members served and a 23-percent increase in the number of Senators. All in all, I believe these statistics illustrate the Congress' increasing reliance on GAO for accurate, objective analysis in its deliberations on the important decisions facing the nation.

Number of GAO Recommendations Has Increased



GAO's true value to the Congress and the public, however, is when constructive use is made of our work. As the chart above shows, GAO nearly doubled the number of recommendations made during the period. During the last Congress, we made a record number of recommendations to the Congress and executive branch agencies that have potential to improve government. If the experience of recent years is a good predictor, three out of four of these recommendations will be implemented within the next 4 years.

Achieving Financial Benefits

Our work often contributes to legislative and executive actions that result in very significant financial benefits to the American taxpayer. These benefits include budget reductions, costs avoided, appropriation deferrals, and revenue enhancements, that we can document as either directly attributable to or significantly influenced by our work.

A few illustrations of important financial accomplishments follow.

- GAO's work on inventory management at the Department of Defense (DOD) led the Congress to cut \$4 billion from DOD's budget to force efficiencies in DOD's inventory system. DOD is now working toward using more economical business practices in handling spare parts and other inventory items.
- GAO has long played an important role in the health care area, notably identifying unnecessary costs and recommending needed changes. Congressional action based on GAO's work has yielded billions of dollars in deficit reductions. Over the last year, our reports and testimony discussing the health care system's vulnerability to fraud and abuse stimulated legislative activity and helped focus the debate on significant administrative reform.
- GAO documented major problems in the developmental and operational testing of the Bigeye chemical bomb, and raised serious questions about whether the bomb could function. As a result, the Congress required additional testing and barred full-scale production until the weapon met test requirements. In mid-1990, DOD canceled plans to produce the bomb as part of a major arms control agreement with the then-Soviet Union, at a savings of \$560 million. Former House Foreign Affairs Committee Chairman Dante Fascell said that GAO's work "...made an important contribution to the bilateral chemical weapons agreement between the U.S. and USSR...."
- GAO, in conjunction with Israel's State Comptroller, raised serious financial and affordability issues associated with the U.S.-funded development of Israel's multibillion dollar Lavi fighter aircraft, which ultimately led Israel to stop further development and production of the program.
- GAO's reports on the enriched uranium program contributed to the Department of Energy's decision to abandon a plant, thus saving about \$3.5 billion. Also, our reports on the Clinch River Breeder Reactor, covering virtually every important aspect of the project from its escalating costs to its future place in the nation's energy strategy, played a pivotal role in the Congress' decision to terminate the project.

Alerting the Congress to Major Problem Areas

In addition, much of our work has helped alert the Congress to emerging problem areas. Some examples follow.

- Since we first began alerting the Congress in the mid-1980s to the growing problems in the thrift industry, we have continuously monitored the management and costs of the Savings and Loan crisis. We have also proposed numerous legislative and regulatory reforms. For example, our reports and testimony contributed to the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991.
- Through a series of financial audits and program reviews, we alerted the Congress and the Resolution Trust Corporation (RTC) to a number of areas that were vulnerable to waste, abuse, and mismanagement. Recently, we reported several billion dollars in excess funds that permitted RTC to lower its estimates for completing the thrift cleanup and to resume efforts to resolve insolvent thrifts.
- Initially, we alerted the Congress to the overall cost of the Persian Gulf War and later concluded that the war could be completely financed from allied contributions. As a result, in 1992, the Congress rescinded \$14.7 billion from the taxpayer-financed Regional Defense Fund.
- In response to our technical and procurement-related concerns, the Federal Aviation Administration (FAA) did not award a planned data processing contract for the Computer Resources Nucleus project. Instead, it issued a dramatically improved request for proposal that resulted in a contract costing nearly \$1 billion less than originally planned.
- GAO reports and testimony showing that DOD's 5-year spending plans tended to materially underestimate weapon program costs and overestimate the amount of future funding available for defense program, supported legislation requiring DOD's spending plans to match the President's budget.
- Recommendations to restructure the B-2 bomber program resulted in budget reductions of \$1.1 billion in fiscal year 1991 and an average reduction of \$4 billion over the next 3 years. Also, GAO's work on the C-17 cargo plane and Seawolf submarine was used extensively in congressional deliberations on those systems.
- GAO's oversight of FAA's \$33-billion air traffic control modernization program was crucial in helping the Congress make funding decisions and encouraging FAA to change its acquisition process.

Improving the Lives of Americans

Many other recommendations have resulted in improvements in government operations and services. Last fiscal year, for example, we documented 192 instances of unmeasurable or nonfinancial accomplishments. This was up 146 percent from 1985. Some significant examples of such accomplishments follow.

- Documenting the lifesaving effects that states could expect from an increased minimum drinking age helped influence state legislation so that now all 50 states and the District of Columbia have increased the minimum drinking age to 21. These actions are estimated to have saved 1,000 lives annually.
- Our disclosure of serious deficiencies in the Food and Drug Administration's oversight of medical device manufacturers helped strengthen regulations to reduce the chances of unsafe devices reaching the marketplace.
- In direct response to GAO's work, the National Institutes of Health (NIH) substantially tightened its procedures for ensuring that government-sponsored research include women where appropriate, and NIH created an Office of Research on Women's Health to more proactively deal with women's health issues.
- After GAO found inadequacies in the regulation of hospital sterilants and disinfectants, the Food and Drug Administration quickly issued an advisory to manufacturers to comply with safety requirements in marketing their products.

Strengthening Government Management

In the mid-1980s, GAO began reviewing the overall management of agencies. The major goal of these general management reviews was to outline for the leaders of executive branch agencies the importance of improving their management practices.

The most common recommendations emerging from management reviews reinforce such management basics as developing strategic planning systems; dealing with leadership weaknesses that result from a high rate of turnover and lack of accountability; addressing long-standing problems involving information resources management, financial management, and internal controls; and focusing more on how managers and workers are recruited and trained. We have made over 400 specific recommendations along these lines to agency heads. Many will take years of sustained action to implement. While some agencies still have a long way to go, their response has been encouraging.

- The Department of Agriculture, for example, has actively pursued major reforms and streamlining initiatives. The Secretary has announced a plan to restructure USDA around 6 key missions, reducing the number of agencies from 42 to 30. Consistent with our recommendation, this restructuring would consolidate 3 farm agencies into a single Farm Service Agency. The Secretary also plans to streamline the existing USDA field structure by eliminating at least 1,300 field offices.
- The new IRS commissioner cited our work as providing "...a roadmap for strengthening financial management and accountability at IRS." In fact, IRS has used our management review findings to improve the agency's operations in many areas. For example, it has reorganized its top management structure to improve accountability and communications. It also improved decision-making by setting up a strategic management system and is now assessing accomplishments against its strategic business plan. As a result of this improved focus, IRS is now making progress in reducing errors, improving financial management, and modernizing its computer systems.

Improving Financial Management

GAO has long been associated with major reforms in government financial management. Our many years of identifying problems in internal controls and accounting systems has led to the passage of major legislation such as the Financial Integrity Act and the Chief Financial Officers (CFO) Act. GAO has also taken the lead in conducting financial audits called for by the CFO Act. For example:

- Our 1991 audit of the Army identified about \$95 billion of adjustments and corrections to improve the accuracy and presentation of the department's report on its financial position. In addition, we found that Army inventory records did not accurately record either the quantities or the values of a reported \$17 billion of spare parts and supplies. As a result of our work, the Army has implemented improved inventory procedures, including a statistically based year-end count for 1992.
- Our financial audit of the Air Force disclosed that existing financial management systems need enhancements to produce sufficiently reliable information for managerial purposes.
- IRS has undertaken a major effort to improve the reliability of its reported accounts receivable in response to our finding that amounts reported prior to fiscal year 1992 were significantly overstated. Our audit of IRS' June 1991 figures showed that IRS had overstated its net collectible receivables by over 300 percent--\$66 billion versus our estimate of \$19 billion. Also, in response to our findings of weaknesses in IRS controls over the accuracy and confidentiality of taxpayer data, IRS has pledged to improve its monitoring of the computer activities of the 56,000 IRS employees who routinely deal with these data.
- Our audit at the Customs Service highlighted a wide range of problems regarding the reliability of reported information and controls over billions of dollars in revenue and property. Also, we found that seized items, such as drugs and firearms, were not adequately accounted for and protected from theft or misappropriation. Customs is now making various improvements to its systems and processes to address these problems.

OPERATIONAL IMPROVEMENTS

Now I'd like to discuss some of the changes we've made during the last 8 years that we feel have contributed the most to our improved service to the Congress. These changes have also allowed us to keep pace with the growth and complexity of government without increasing the size of our staff. Specifically, since 1985 we have taken steps to

- improve how we set work priorities;
- build the issue-area expertise of our regional staff;
- streamline our headquarters and field organization and close several offices;
- capitalize on developments in information resources, especially microcomputer technology;
- continually elicit, study, and implement ideas for improving our efficiency and effectiveness; and

- strengthen systems for ensuring that our work is of high quality and meets professional standards.

Finally, and most important, we have made a concerted effort to further invest in our most important resource, our people, upon whose individual initiative and talent our success so heavily depends.

Anticipating Needs and Focusing Our Work for the Congress

An important question that is often asked about GAO is how we set our work priorities. The importance of this process has been heightened in recent years by our need to respond to a growing workload that, for most of our issue areas, now exceeds our ability to respond to every request or to do so as quickly as our customers would like. Thus, to optimize our usefulness to the Congress, we have taken a number of actions in recent years to better focus our efforts. For example, we have renewed emphasis on the need to acquire a fuller understanding of the issues the Congress is likely to address in the next several years, as well as the influence on its information needs of external socioeconomic and technological trends. Thus, in our planning process, we consult broadly with congressional Members and staff on both sides of the aisle, as well as with a wide spectrum of government and private experts. The resulting 2 to 3 year plans define the major issues about which we believe the Congress will need information and advice and describe the overall strategy and individual jobs that we will undertake as resources become available.

Because the volume of requests and potential areas easily exceed our resources, we established guidelines in early 1990 designed to provide an appropriate mix of work and to optimize GAO's usefulness to the Congress. Specifically, we try to focus our resources on assignments having the potential to achieve at least one, and preferably several, of the following objectives:

- Contribute to congressional decision-making on significant public policy issues;
- Fulfill statutory and legislative requirements and commitments;
- Identify and eliminate serious mismanagement, fraud, and abuse;
- Realize large dollar savings for the government and the taxpayers;
- Change policies, procedures, and management structures of major government programs to better achieve desired program results and/or achieve objectives at lower cost;
- See that major government programs comply with applicable laws and regulations and that funds are spent legally;
- Ensure that funds of major government programs are accounted for accurately; and
- Enhance GAO's methodological and technical skills.

We have communicated these priorities in various ways to all GAO staff. This has undoubtedly helped us make better choices in the work we undertake and the way in which we manage our jobs. In setting priorities, we also give preference to committee requests

made by chairs and ranking minority members, as well as to legislative mandates. We also attempt, however, to preserve some level of resources for important self-initiated work that may not have a congressional sponsor, but that we believe could be needed in the future or that could otherwise have important impacts on the effectiveness of government or could help avoid economic losses to the taxpayer.

Although we believe these measures are generally successful in targeting our work, demand for our assistance will likely continue to grow, while every indication is that legislative branch resources will not. Thus, we continue to look for ways to refine and improve how we set priorities.

In particular, we have considered proposals put forward by others to create a board to screen or approve the requests we receive or to create a voucher system that would ration committee access to support agency services. As an agency that is asked to undertake a large volume of complex work, we are concerned about the administrative practicality of these mechanisms. We would, of course, be willing to discuss such proposals further if the Congress chose to pursue them.

I would caution, however, against any approach that would significantly limit the scope of work we may perform or our flexibility to undertake work on our own initiative. Such measures are tantamount to "muzzling the auditor," which has led to disastrous consequences in both the private and public sectors.

Special Investigations

In the mid-1980s, it became increasingly clear that an office staffed by highly trained investigators, including those experienced in criminal cases, was necessary for us to respond to a special subset of our congressional request workload--jobs where violation of criminal laws was suspected or alleged. Consequently, in 1986, with congressional encouragement, I established the Office of Special Investigations to enhance our ability to do investigative work. This function has been highly successful and now handles about 45 investigations per year. In addition to conducting such investigations, it has become an invaluable adviser and in-house consultant on work in many areas particularly vulnerable to fraud, waste, and abuse, thus significantly expanding our ability to undertake such work.

Restructuring Our Organization to Fit Today's Environment

Environments change--and organizations must either adapt to these changes or be left behind. During the past several years, we have undertaken a number of initiatives to realign our organization, including (1) developing greater issue-area expertise and job management skills in our field staff and (2) closing, combining, or consolidating a number of our field offices and audit sites.

To enhance our expertise, we have reduced the number of major issues each field office focuses on and are concentrating our work where it makes the most sense. For example, in fiscal year 1989, our agriculture work was conducted by 10 field offices. Now the bulk of this work is done in five offices--Atlanta, Chicago, Dallas, Kansas City, and San Francisco--that are responsible for covering the entire country. Since this change, productivity as measured by the number of agriculture reports and testimony appearances has increased significantly.

We have also had good success in placing management-level staff in our regional offices whose only responsibility is to lead work in a specific programmatic area. These managers oversee a core staff dedicated to working in a single issue area, and they direct all aspects of the work, including duties traditionally carried out only in our Washington headquarters. This is a relatively new initiative, but early indications are that it holds excellent promise for improving both the efficiency and timeliness of our work.

GAO has long had a two-tiered field office structure--15 regional and overseas offices supported by a number of relatively small suboffices. Others and I have wondered whether this structure, particularly the suboffices, gave us the flexibility we needed to shift resources when our workload changed geographically. In 1987, we established a task force of senior managers to analyze our suboffice structure and find opportunities for long-term efficiency gains. Specifically, we sought changes that took advantage of developments in transportation and communications technology that could allow consolidation of small offices and greater concentration in fewer and larger federal centers. On the basis of that study, we decided to close eight small suboffices and, as a result, were able to reallocate about 70 staff years to mission work elsewhere. We also combined two regional offices--Chicago and Detroit. Because of their proximity and the many common work areas, combining these regions provided significant efficiencies by eliminating redundant positions and better coordinating their work. Citing these earlier successes, the Senate Appropriations Committee recently directed us to take an even more fundamental look at our field structure, and that study is now underway. Finally, in the last 3 years, we have consolidated many of our smaller headquarters audit sites.

Investing in the GAO Workforce

We are continually striving to improve the quality of our products, our responsiveness to the Congress, and the efficiency with which we carry out our work. In achieving these goals, people are clearly GAO's greatest resource, and our organizational success depends on how well we manage that resource. To do so, we have adopted human resource management goals that embrace the following six principles:

- Hire the best,
- Train them well,
- Give them challenging work,
- Provide them first rate equipment and work environments,
- Reward those who excel, and
- Treat people fairly.

Pursuing these principles has yielded excellent progress in the past few years. To illustrate, I would like to cite just a few of the human resource management improvements we have been making.

Recruitment

With a renewed emphasis on the importance of hiring the best, several years ago we centralized responsibility for managing all of GAO's recruitment activities within one office and developed a highly successful campus executive program where 60 executives, including myself, were actively involved in developing and maintaining an ongoing relationship with selected colleges and universities. We revised recruiting materials to emphasize the

professionalism and commitment to quality that we strive to attain at GAO. In addition, we made numerous changes to the recruiting process to gain efficiencies and to simplify the process for applicants. In 1991, we received nearly 5,000 applicants for the approximately 200 entry-level positions filled and were able to attract very bright and well-prepared new employees. For example, the average grade point average of our entry-level hires was 3.6 on a 4-point scale, and nearly three-quarters had either a masters or doctorate degree. However, due to budget constraints, we imposed a hiring freeze in February 1992.

Training

The broad scope of our work requires that managers and staff be familiar with a wide range of methodologies and be able to work effectively in interdisciplinary teams. To support them, we have made a substantial financial investment in training and education opportunities for all employees. Since establishing our Training Institute in 1988, we have completely revamped the technical curriculum for evaluators and have developed new curricula for attorneys and support staff.

Major effort also has been devoted to supporting issue-area training in such fields as financial management, information management, and logistics. We believe that this training has significantly improved the ability of our staff to address complex questions posed by the Congress as well as the efficiency with which we conduct this work. For all evaluators and evaluator-related staff, including senior managers, continuing professional education is required. They must complete 80 hours every 2 years in order to remain qualified to conduct audit or evaluation work. More recently, we adopted a continuing education requirement for our attorneys.

Affirmative Action

GAO remains committed to supporting an affirmative action program that results in a representative GAO workforce. With targeted recruiting activities in place for both entry- and upper-level positions, unit heads are responsible for developing and pursuing affirmative action goals within their respective units. We are also striving to integrate workforce diversity values throughout the organization. Although our total workforce remained relatively constant from 1985 to 1992, we have increased the representation of women and minorities at all levels. Specifically, as shown in the following table, the percentage of women in GAO's professional ranks has increased 41 percent, while the percentage of minorities in the workforce has increased 34 percent. I am pleased that both women and minorities have made considerable progress in attaining entry, middle management, and senior positions within GAO and hope to continue this progress in the future.

Percentage of Women and Minorities Is Increasing

		1985	1992	% Increase
Band I/ GS-7-12	Women	45.6	56.9	25
	Minorities	25.8	31.2	21
Band II/GS-13-14	Women	16.0	33.2	108
	Minorities	10.0	18.6	86
Band III/GS-15	Women	7.6	23.5	209
	Minorities	4.1	10.0	144
SES	Women	10.0	16.7	67
	Minorities	5.8	13.2	128
Total	Women	27.9	39.3	41
	Minorities	16.1	21.5	34

Capitalizing on Information Resources Technology

As you know, advances in the information sciences, especially microcomputer technology, have revolutionized the way modern organizations function. This is especially true for organizations such as ours, in which information itself is both a major input and the principal product. Today, microcomputers are as indispensable to our staff as calculators were 15 years ago. In fact, our newest employees are accustomed to having the latest computer technology available to them in their educational and work environments, and they expect GAO to provide similar equipment and software. I am proud to say that as a result of efforts over the past several years to acquire desktop and portable microcomputers, we have met our goal of providing a microcomputer to every staff member who needs one.

But it is not enough merely to put a microcomputer in the hands of each staff member. Rapidly advancing technology quickly turns today's state-of-the-art computer into tomorrow's surplus equipment. This is true not only for microcomputers, but also for supporting software and equipment, such as printers and telecommunication devices. There is no staying even in this area: either we move ahead or fall behind. To move ahead, we must integrate information technology into the very fabric of the organization itself. We have undertaken a number of initiatives to do just that.

Two years ago we placed in operation a new assignment tracking system that helps us better follow the progress of our work and emphasize key decision points in our work process. More recently, we have made great progress in our efforts to pilot a wide area network and develop network-supported applications to improve our assignment process. This technology holds the potential to greatly enhance the ability of our geographically dispersed staff to respond to growing congressional information needs. Networking our microcomputers will open up opportunities to share information and redesign our processes.

Our communication capability has also been enhanced by initiatives to upgrade telephone services and to introduce video-teleconferencing to our headquarters and regional offices. These efforts were carried out in cooperation with the Architect of the Capitol. Furthermore, the changes in our telephone services give us communication compatibility with the legislative branch, significantly reduce costs, and provide our staff with new features, such as voice messaging and conferencing. Our video-teleconferencing experience began with a pilot between our headquarters and Seattle offices and was recently extended to include eight more regional offices with plans to bring on the remaining regions over the next several months. It has illustrated that this technology can make a significant contribution to GAO's operations, particularly at a time when travel funding has been substantially reduced.

On the administrative side, we have also added significant advances in automation. For example, we consolidated our payroll, personnel, time and attendance, assignment management, and property and supply information systems, which are now being operated by the Department of Agriculture's National Finance Center. This has proven to be very effective, and we believe it is saving the taxpayers a considerable amount of money. We have also placed in operation a financial management package that meets the accounting principles and standards we promulgate for the rest of the federal government. The system has successfully supported production of timely, auditable financial statements for the past 6 years.

Initiatives to Improve Our Efficiency and Effectiveness

Several years ago, in recognition of the central role each GAO employee plays in achieving operational efficiencies, we instituted a program designed to elicit, study, and implement improvement ideas from staff throughout the organization. Called the Operations Improvement Program, it provides a vehicle for encouraging employee ideas at all levels and enlisting employee help in bringing those ideas to fruition. Among the projects that, in my opinion, have yielded significant benefits are

- the enhanced use of graphics in GAO products and presentations, through decentralized graphics centers and improved training;
- the use of bulk mailing to achieve significant savings in mailing costs; and
- the automation of assignment initiation paperwork that significantly reduced administrative burden on evaluator staff.

With our workload becoming larger and more complex, we must increasingly ask whether traditional approaches to our work will enable us to meet future challenges. To this end, we recently concluded that we must seek ways to accelerate the pace of innovation in everything we do through the application of quality management principles.

Pursuing Total Quality Management

Our future success, like that of every vital organization, requires both a willingness to change and a commitment to continual improvement. As you know, total quality management is a leadership philosophy that sets the quality of products and services as the primary goal for an organization and adopts continual improvement as a way of life. It offers a comprehensive approach to managing that has helped both public and private sector organizations make

significant improvements in quality and efficiency. A key to success is the involvement of every employee in quality improvement efforts.

We are in the third year of our efforts toward implementing the total quality management concept at GAO. We decided to explore this approach after our 1990 study of total quality management in 20 high scoring manufacturing companies from among those competing for the Malcolm Baldrige National Quality Award. What we found was that these firms were successfully building quality into their products throughout their processes. And while improving quality, they also achieved higher productivity, greater customer satisfaction, and better employee relations. When we saw what total quality management had accomplished in the private sector, we decided to investigate what it might do for GAO. During 1990, we visited a number of companies and government agencies that were using TQM practices.

Late in 1990, we decided to go forward with our program, because we were convinced by our research that TQM could help us improve our processes and thereby our service to the Congress. We spent 1991 building our quality infrastructure and carefully developing our plan. In April of that year, we established a high-level Quality Council made up of senior managers to direct and guide this long-term effort. We also developed our first implementation plan and set three major goals--to survey our customers, begin to analyze key processes, and train our staff about TQM concepts and practices. We learned from our customer survey that we could improve our communication with the Congress--and that our responsiveness and the way we set our work priorities needed attention. Consequently, we have identified four key priority areas that will guide GAO over the next several years:

1. Improve our relationships with the Congress.
2. Improve the quality of our work and processes.
3. Increase support of various GAO components to meet the needs of the Congress and our other customers.
4. Increase the value of GAO to the taxpayers.

How GAO Ensures Quality in its Work

A question often asked is whether GAO, as the independent auditor and evaluator of executive branch programs and activities, is itself subject to external audit or quality review. The question is usually phrased as "Who audits the auditor?"

Before addressing this question directly, I wish to point out that GAO has in place a well-documented system of quality controls to ensure that its audit and evaluation activities are conducted with the highest degree of professionalism and in conformity with all applicable quality standards. This system of controls is augmented by careful selection and training of highly qualified staff, experienced and expert supervision, a long tradition of independence, and integrity and dedication to exacting standards of professional conduct.

No GAO assignment is started without being approved by senior managers in the originating division. In addition, top advisers and I regularly review all new starts. Each assignment team also reports directly to a senior manager, called the issue area director. These issue area directors typically have many years of government audit and evaluation experience and

strong technical skills and programmatic knowledge. They sign many of our reports and frequently testify before congressional committees.

The data collection and analysis work of our staff is carefully documented in our work papers and reviewed by experienced supervisors. When a congressional requester does not wish us to obtain official agency comments on a draft report, we hold exit conferences to obtain the views of responsible officials on the issues to be discussed in our reports. Every statement of fact in a GAO product is independently verified by an experienced evaluator not associated with the assignment to ensure its accuracy and support, and the drafts are reviewed by senior GAO managers not directly associated with the assignments and by our legal staff prior to their issuance as final reports.

But, as an auditor, I recognize that no matter how strong a system of controls is, periodic independent checking is needed to ensure that it is operating as intended. I, therefore, have taken steps to systematically test compliance with GAO's quality control system. In 1983, we initiated an annual internal quality review program--called PAQRS, for Post Assignment Quality Review System. This is somewhat similar to the peer review programs applied by CPA firms and most other government auditing organizations. However, an important qualification is that it is conducted by GAO staff, carefully selected from units other than the ones being reviewed, rather than by external reviewers.

We have, therefore, taken other steps to get independent perspectives on our internal quality assurance processes. Notably, 2 years ago, I established a special Quality Control Review Board, chaired by Elliot Richardson, who has held many cabinet and subcabinet positions, including Secretary of Commerce, Defense, and HEW and Attorney General. The Board's purpose is to review and advise us on the effectiveness of our internal quality program.

Other members of this Board are the following:

- John C. Burton, CPA, of Columbia University, former Chief Accountant of the Securities and Exchange Commission and former Dean of the Graduate School of Business at Columbia University.
- David F. Linowes, CPA, of the University of Illinois, who was also the Chairman of the President's Commission on Privatization; Chairman, Presidential Commission on the Nation's Energy Resources; Chairman, Federal Privacy Protection Commission; and National Partner, Laventhol & Horwath.
- John Rhinelander, a Washington attorney with Shaw, Pittman, Potts, and Trowbridge; former Under Secretary of the U.S. Department of Housing and Urban Development; former General Counsel of the U.S. Department of Health, Education, and Welfare; and the veteran of other legal positions, including adviser to the SALT I delegation, the State Department, and the Secretary of the Navy.

I have also consistently supported the idea of having a formal external quality review process for GAO and have made proposals on how this might be done. Such a review would be consistent with Government Auditing Standards, which require organizations conducting audits to have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed. However, we have been unable to implement such a program on our own, primarily because of strongly held views

that primary responsibility for overseeing GAO's operations should rest with the appropriate congressional committees. As you know, the Senate Governmental Affairs Committee has contracted with the National Academy for Public Administration (NAPA) to conduct a broad review of GAO. We are cooperating fully with this effort and expect that it will benefit both GAO and the Congress.

RECENT POLICY AND PROCEDURAL CHANGES

As you are well aware, a number of concerns have been raised that I would characterize as dealing with the objectivity of our work and the fairness of certain procedures we have followed in working with the Congress. Let me say that GAO staff have always taken great pride in the agency's neutral, nonpartisan stance. Our audits, evaluations, and investigations have been favorably received and extensively used for decades by policymakers in the Congress and the executive branch. We believe this wide acceptance, which has included Members of both political parties, is largely due to the high degree of professionalism that goes into our work, and because the reports we produce can be counted on to offer unbiased and objective findings and recommendations.

Nonetheless, as we studied these concerns, we concluded that we should reexamine certain policies and practices, especially as they relate to congressional requests, to see if some changes could reinforce and demonstrate our strong commitment to objectivity and nonpartisan assistance to the Congress. Before I discuss these changes, some background is needed on our past policies and the problems that have sometimes arisen.

Some members have said that we favor the majority party. However, GAO is required by law to do work for congressional committees, and the majority party sets the committees' legislative and oversight agendas. It is understandable, therefore, that much of our work is in response to requests by the chairs of committees and subcommittees. While this has been characterized as favoring the majority party, it should be noted that GAO accords equal status to requests for work sent to us by ranking minority members and, further, a substantial portion of the work that we do for individual members is done for those in the minority. Incidentally, when the Republicans controlled the Senate, our Senate request work was weighted toward Republican committee chairs.

At times, a requester has not wanted to share information about a request for a GAO study or, in some cases, to be identified as the source of the request. It was our policy in the past to adhere to such wishes, causing concern to some members. Concerns also have been expressed about our policy of complying with requesters' wishes to issue a report without first giving the affected agency an opportunity to comment.

Finally, the subject of GAO detailees was an issue during last year's house floor debate on our appropriation. Pursuant to statute and the rules of both houses, GAO is authorized to provide staff members to assist committees for periods not to exceed 1 year without reimbursement or numerical limit. Although assignments are generally made in the name of the chair of the committee, no ranking minority member has made a request for a GAO detailee that has not been satisfied. Problems arise when committees request numerous detailees or ask to have detailees extended beyond the 1-year statutory limit.

To address these concerns, and after discussions with the leadership and a number of senior Members of both houses, we have made what I believe are some very positive changes.

- First, we have strongly reinforced our policy of including minority Members and their staffs in early discussions of GAO strategic plans to ensure that we are considering their interests and priorities and that they are aware of the objectives, focus, and strategies for our work in their areas of interest.
- We also decided last year that GAO would no longer undertake assignments in which the requester was unwilling to be identified as the source of the request. We will, of course, continue to treat confidentially any aspect of an assignment in which disclosure could jeopardize the success of ongoing work or be otherwise inappropriate.
- Last year, we began sending a monthly listing of all new job starts to the Senate and House majority and minority leadership. This was in response to a requirement in the conference report on the fiscal year 1992 legislative appropriations bill. This listing, along with identifying requesters, when asked, will allow congressional committees and Members to become aware of new GAO assignments early and, if they desire, to seek further information about the work from the requesters themselves. We will also provide, upon request, a listing of the ongoing committee work being done for a given committee to the chairman or ranking minority member of that committee.
- Although we have long taken the position that Hill assignments are an important and valuable experience for our staff and that detailees provide a valuable service to the Congress, some of the difficulties involved in providing that service have caused us to rethink our specific policies. We have worked with committee and subcommittee leadership to reduce the number of congressional detailees and to eliminate details beyond the 1-year statutory limitation. For example, at the end of the second quarter of fiscal year 1992, we had 63 detailees assigned to committees and subcommittees, but by the end of the third quarter of fiscal year 1993, we had only 34 staff members on congressional details.
- We are reemphasizing to our own staff, as well as to congressional requesters, the value of agency comments in ensuring the reliability and objectivity of our reports. In particular, we are strongly encouraging requesters to allow us to provide the agency head an opportunity to review and comment on a draft report when the issues involved are significant or controversial. When this is not acceptable to the requester, we will make every effort to fully and candidly discuss the results of our work with senior agency officials before issuing our final report.
- Some congressional requesters choose to limit the distribution of our final reports for up to 30 days before copies are sent to anyone else. To expedite the communication of our work results to other interested parties, including other Members of the Congress and affected agencies, we would prefer to reduce the maximum 30-day restriction period. However, we have been reluctant to do this unilaterally, because some requesters feel this restriction period is helpful. Some requesters have indicated, however, that they might be willing to agree to a shorter restriction period if GAO could let them know, in advance, precisely when they will receive a final report. To address this concern, we are currently exploring ways to improve the reliability with which we can predict issue dates of reports.

GAO's role in relation to major policy issues has also been questioned. Taken as a whole, the scope of GAO's work embraces the most important issues facing the nation and, therefore, must inevitably deal with policy issues that underlie the operations it examines. We receive hundreds of requests each year (from both majority and minority Members) that expressly

ask us to examine matters that deal with virtually every significant question faced by the Congress. In answering these requests, certain fundamental principles guide GAO. First, our role is advisory, and we realize that the ultimate responsibility for deciding policy lies with the Congress and the executive branch. Second, we deal with recommendations or policy questions only as they flow from the work we have performed. Third, we always strive to present our findings in a balanced manner, and when practical, include a range of options for consideration. Fourth, I want to say without qualification that while GAO may favor a specific course of action based on its analysis of relevant information, it never promotes a particular position on the basis of political or ideological considerations.

Downsizing

Before I close, I'd like to touch on one other issue that could have far-reaching effects on our service to the Congress.

Reducing the deficit is the most serious problem facing government today, and it is difficult to conceive of a solution that does not reduce the size and cost of government. In addition, quite independent of the budget problem, many citizens have lost faith in their federal government. We, therefore, face a very difficult task--to create a government that is smaller and less expensive, but that is also efficient and responsive. We must do more with less.

At the same time, it is worth remembering that GAO has not grown appreciably since the early 1970s. During this period, our staffing fluctuated between 4,900 and 5,100 people. This is in marked contrast to the increase in our potential audit universe, which measured by the number of federal programs, overall budget expenditures, and government intervention in the economy, has grown geometrically. Looking at the federal budget, for example, in the early 1970s, federal spending was just over \$200 billion as compared to nearly \$1.5 trillion today. We have also seen myriad new federal programs, greatly complicated state/federal relationships, and huge increases in the complexity of tax laws and federal regulations.

Consequently, we already worry about whether we are providing an adequate level of audit coverage, and a smaller GAO will mean less coverage and less support to the Congress in the future. Thus, I would like to clearly state that, in my view, too large a reduction in GAO's staffing level would be penny wise and pound foolish. Every dollar invested in GAO is returned many times in measurable financial benefits.

Nonetheless, we understand that GAO must do its part, and as you know for GAO downsizing has already begun--our staff year ceiling has been reduced in recent years and this is likely to continue during the next 2 years due to funding constraints. If the early-out and retirement incentives recently funded by the Congress are successful, our staff level next year will be down over 10 percent from where we were at the beginning of 1992.

Perhaps, the most important issue regarding downsizing, however, is how it is accomplished. If it is done haphazardly or too quickly with significant additional reductions, we will lose talented and experienced people, reducing technical and subject-area expertise that has taken years to develop. It would also do violence to the gains we've made in building a diverse workforce, which is much more representative of American society today than it was just 10 years ago.

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In closing, Mr. Chairman, I would like to thank you and the other Members of this Committee for the support and encouragement that GAO has received over the years. That support has allowed us to strengthen our capabilities and provide higher quality and more timely assistance to the Congress. The Congress has in turn shown its confidence in GAO by asking us to look at nearly every important issue it confronts.

Today, the administration is undertaking a major rethinking of the federal government's role, how it's organized, and how it's managed. The proposals resulting from the Vice President's National Performance Review, when combined with further deficit reductions and major initiatives in health care, welfare, defense, trade and foreign policy, will dramatically affect every program, department, and agency of the government. This means that in the Congress every committee, subcommittee, and member will be faced with a staggering array of legislative, administrative, and regulatory proposals that will involve either legislative decisions or congressional oversight.

In evaluating these proposals and monitoring the success of policy and programmatic changes, the Congress must be able to affirm that needed services are being maintained and that taxpayers are getting what they pay for. To do this, a strong GAO, its independence and professionalism ensured, can be your best ally, providing a focus and a counterweight to the vast array of information you receive from the executive branch and the private sector. No other institution is as well positioned to help you. Working together, we can ensure that agencies comply with the laws you pass. We can push hard to see that basic financial records and performance data are available (and accurate) to provide a firm foundation for oversight and decision-making. At the same time, we can continue to monitor and warn you of major financial risks such as those in the insurance and pension areas. We can watch for accelerating costs in big programs, and we can help you pursue effectiveness and efficiency in every major federal program. I believe that if we sharpen our focus, we can do all this while matching the 12-percent reduction being discussed for the executive branch. But we must nonetheless remain strong, and that will require your continued support.

We are also aware that if we are to continue to play a major role in serving the Congress, the work we do must live up to the high standards that GAO has always set for itself. As Comptroller General, I will not allow those standards to be eroded; indeed, with your help, we will continue to improve the quality, timeliness, value, and objectivity of our work.

Mr. Chairman, I look forward to working with you in the future. This concludes my prepared remarks. My colleagues and I will be happy to answer any questions you or other Members of the Committee may have at this time.

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