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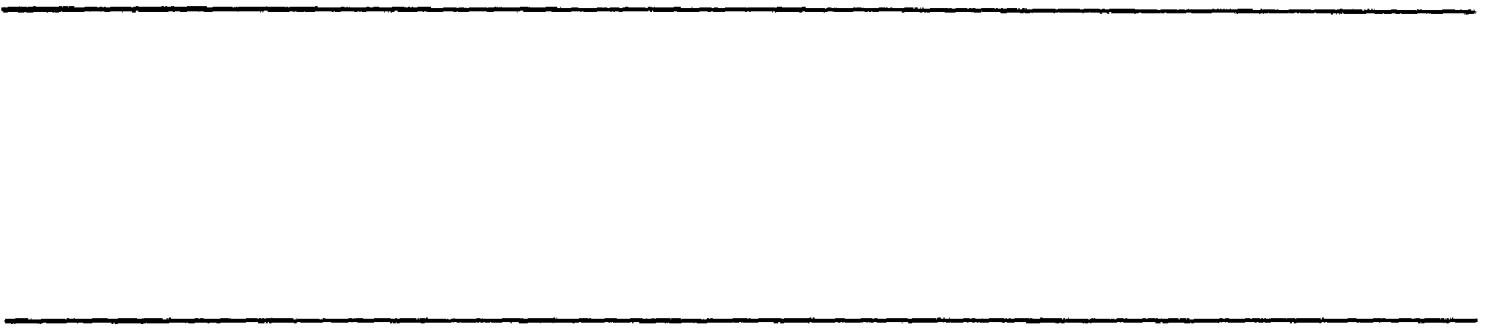
CONGRESSIONAL
OVERSIGHT

The General Accounting
Office

Statement of Charles A. Bowsher
Comptroller General of the United States



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We are pleased to be here today to discuss the future direction of the General Accounting Office (GAO). We believe that periodic congressional oversight is critical to the effective operation of any federal agency, including GAO.

We are proud of GAO's long tradition of service to the Congress, the contribution we have made to improving government operations, and the billions of dollars in financial benefits achieved by Congress and the executive branch as a result of our work. Our mission is to achieve honest, efficient management and full accountability throughout government. We serve the public interest by providing members of Congress and others who make policy with accurate information, unbiased analysis, and objective recommendations on how to use public resources in support of the security and well-being of the American people.

While we take pride in our accomplishments, we also recognize that our history is one of continual change, improvement and adaptation to the emerging needs of the Congress. In that regard, GAO has a number of changes underway, many of which are consistent with the recommendations made in the report to this committee by the National Academy of Public Administration (NAPA). We are pleased that NAPA recognized that GAO's statutory foundations are sound and that it found no evidence that GAO has been steering its research toward satisfying particular policy or partisan interests. Achieving and maintaining objectivity has always been a foundation for GAO work.

Both GAO and the Bureau of the Budget (now the Office of Management and Budget) were created in 1921, the outgrowth of efforts at that time to modernize federal budgeting and accounting practices after World War I. In return for creation of the Budget Bureau, which centralized budget authority of the executive branch in the Office of the President, Congress insisted upon creation of

GAO within the legislative branch to monitor and audit federal expenditures.

Central to the ability of GAO to effectively carry out its mission over the past 74 years has been the nonpartisan nature of the organization--reflected most importantly in the 15-year term of the Comptroller General and the career civil service status afforded its staff. To effectively be the nation's auditor, GAO staff must have the independence necessary to report the facts, without fear of political retribution. GAO's ability to do this consistently over the past decades has served the Congress and the taxpayers well.

In fact, insuring GAO's independence and credibility were primary considerations in GAO's creation by the Congress. The Budget and Accounting Act of 1921 was drafted to severely limit the extent to which GAO could be subject to partisan political pressure. This is apparent not only in the Act's provisions regarding the Office of the Comptroller General, but also in the debate prior to the Act's passage. Representative Good (R-Iowa), a principal sponsor of GAO's original authorizing legislation, articulated this theme during floor debate.

"In creating the general accounting office and providing for the comptroller general and the assistant comptroller general, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations." 59 Cong. Rec. 8610 (1920).

The Committee intended, "that the Comptroller General should be something more than a bookkeeper or accountant; that he should be

a real critic." (61 Cong. Rec. 1090 (1921). To ensure that result, the Comptroller General was given a 15-year term, during which he is removable only by impeachment or, for cause, by joint resolution.

GAO's History is One of Constant Change and Improvement

In the 1920s and 30s, in an era of limited government, GAO served the Congress primarily by auditing vouchers of the government to make certain that federal payments were correct. But just as Congress adapted to an increasingly complex world as the decades passed, so GAO changed to help Congress grapple with more difficult and complex issues.

The modern era for GAO began after World War II. Key to changing the GAO was passage of the Budget and Accounting Procedures Act of 1950, which authorized GAO to review federal agency accounting procedures and controls in lieu of checking thousands of ledger accounts. Out of this change grew the development of the comprehensive audit approach--a way to determine how well each federal agency carried out its financial responsibilities.

In 1966, Elmer Staats, who had served in the administration of four presidents as Deputy Director of the Bureau of the Budget, became the Comptroller General. Under his leadership, GAO began to move into the area of program evaluation to determine whether government funds were spent efficiently and whether federal programs were effective.

To deal with these complex issues, GAO today is staffed with well trained specialists in many disciplines--accountants, computer scientists, public administrators, business school graduates, engineers, statisticians, lawyers, economists, and others.

At this year's authorized staff level of 4,700, GAO is about the same size as it was in 1963, when the federal budget was just approaching \$100 billion for the first time. The federal budget today is more than \$1.5 trillion, a 15-fold increase, and many agencies audited by GAO have grown several times over since the early 1960s. GAO has worked hard to keep pace with the increasing demands placed upon it in those intervening years. By continually working to increase productivity, to take advantage of modern technology, and to improve the skills and expertise of its staff, GAO has been able to keep pace with the added requirements and responsibilities that it now faces as a result of the growth in size and complexity of the federal government. GAO's productivity doubled between 1983 and 1992.

And we are proud of the results of our efforts. Although total audit coverage has never been possible, we have contributed significantly over the years to saving billions of dollars for the American taxpayer. Since 1981, GAO's work has resulted in more than \$200 billion in measurable financial benefits.

In 1994 alone, GAO contributed to legislative and executive branch decisions and actions that resulted in more than \$19 billion in measurable financial benefits. GAO thus generated \$43 dollars in financial benefits for every dollar appropriated.

Our goal is to continue that trend. GAO's efforts are designed to help the Congress produce a smaller, more effective and efficient government, in both the audit work it completes and in the way it manages its own operations. The plan I have submitted to the Congress to reduce our staffing level to 3,975 by 1997 (a 25 percent reduction over 5 years) would result in recurring payroll savings of \$130 million each year while still enabling GAO to effectively fulfill its mission. GAO will thus be at the lowest staff level since before World War II. The House Budget Committee suggestion of a 15 percent reduction in our budget next year is based

on our plan to downsize GAO by 25 percent. But, this plan would increase the pace of our downsizing effort and we are examining how we would absorb a reduction of that size.

Critical to our ability to successfully accomplish this reduction is our continuous improvement effort that has enabled us to focus on reengineering our job management processes and use enhanced technology to improve to the way we do the work. We are tracking these efforts and implementing ways to measure progress in terms of time and cost reductions and productivity improvements.

While GAO is willing to become smaller, the pace at which that happens must not cripple GAO's audit and investigatory responsibilities and capabilities. A precipitous cut would jeopardize billions of dollars of financial benefits that flow from GAO's work each year. Significant staff disruptions would occur, resulting in loss of expertise and disruptions to ongoing work that could last up to one and a half years. No government organization I am familiar with has been able to absorb a 25 percent cut in its operating budget in one year, especially when between 75 and 80 percent of its budget goes for salaries and expenses as does GAO's, and still maintain its capacity to deliver quality products. GAO is not an exception.

Our assistance to the Committees of the 104th Congress reflects how we continually seek to fulfill our mission of supporting the oversight and legislative needs of the Congress. Since January 1995, about 90 percent of all new request work we have started has been for the majority. This work includes helping target budget reductions, proposals for civil service reform and downsizing government, privatization of the FAA and other programs, and welfare reform. Between January and early March of this year, we had already testified over 70 times. GAO's audit and investigatory expertise needed to support these and other efforts would be seriously jeopardized if we were to lose staff with

specialized skills and knowledge of ongoing federal programs because of precipitous budget reductions.

Benefits of GAO Work

GAO is prepared to follow the federal dollar wherever it goes. We have authority to obtain and analyze federal records across the scope of government and maintain field offices across the country to facilitate the gathering and verification of information. The benefits for the Congress from GAO's work, as result of this mission and structure are illustrated below.

GAO audits help assure a more efficient and cost-effective government

Each year GAO's work leads to legislative and executive actions that provide financial savings and other benefits of several billion dollars. In 1994, for example, Congress acted to limit special tax incentives for corporations operating in U.S. possessions after GAO found that a disproportionate share of these incentives go to companies that generate relatively few jobs. In another example, the Congress acted in response to GAO work when it terminated NASA's Advanced Solid Rocket Motor program in 1994. The cost of the program had doubled while an existing motor was performing safely and reliably.

Work currently underway since the beginning of the new Congress is designed to achieve similar results. For example, at this Committee's request, GAO is undertaking a comprehensive effort to help develop a "blueprint for reform," to rightsize the federal government under a balanced budget and improve the federal civil service system. GAO is assisting the Senate Appropriations Committee examine long-standing and costly problems facing HUD. These include mortgage loan defaults, billions of dollars in

backlogged housing rehabilitation needs, and spiraling costs of providing housing subsidies to lower-income families.

GAO has also been developing information to assist Committees deal with the proliferation of scores of duplicate employment training programs and is closely monitoring IRS' efforts to quickly and accurately process tax returns. As a follow-up to legislation streamlining the federal acquisition process, GAO has reviews underway to assess progress in reducing the acquisition workforce and accelerating acquisitions.

GAO audits expose waste, fraud, abuse
and mismanagement

After the scandal at HUD in the late 1980s, GAO developed a list of "high risk" programs it continues to monitor for waste, fraud, abuse and mismanagement. GAO's work on unneeded inventory at DOD, for example, has highlighted the waste associated with DOD's estimate of \$36 billion in supplies that are not needed to satisfy current operations or war reserves, as well as the cost and burden associated with storing and managing that inventory. GAO has reviewed such wasteful practices as Medicare's reimbursement of physical therapy billed at as much as \$600 an hour, even though therapists' salaries are as little as \$20 to \$35 an hour.

Among GAO's continuing efforts in this area is work to ensure better collection efforts at the IRS, where filing fraud is a growing concern, and efforts to minimize defaults in federal loan programs, where loss exposure runs into the billions of dollars from student assistance and Farmers Home Administration loans.

GAO expertise can help target reductions
to reduce the federal deficit

One of the major challenges facing Congress is how to cut federal spending by a cumulative \$1 trillion or more over the next 6 years. Each year GAO works with the Appropriations committees to find potential savings from the Administration's proposed budget, and typically finds as much as a billion in savings. This year is no exception. GAO has done extensive work for the House Appropriations Committee and its subcommittees to help them identify areas that could be cut.

Issues currently being reviewed by GAO range from examining ways to enhance controls and reduce wasteful spending in the Medicare program, to helping identify agriculture commodity programs that could be modified to save money, to identifying ways to reduce program costs for the multi-billion dollar C-17 cargo plane and the \$7 billion Earth Orbiting System. Two weeks ago we issued our report to Congress that identified options that could be used to reduce the deficit. That report, "Assessing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1996," presents 120 options that we have discussed with the Budget Committees of the Senate and House, as well as Appropriations Committees in both chambers.

GAO audits improve accountability through better financial
and information management

GAO, long an advocate of financial management reform for the federal government, worked with bipartisan congressional leaders to draft the Chief Financial Officers (CFO) Act, a law that now requires major federal agencies for the first time to prepare financial statements and undergo annual financial audits. The CFO Act was passed after GAO audits found that federal agencies cannot account for tens of billions of dollars, that books cannot be

balanced, and that lack of accountability had led to billions of dollars in waste, fraud, abuse and mismanagement.

GAO has a continuing responsibility to monitor progress made by agencies in implementing the new law. Beginning in 1997, GAO is also charged with auditing the new consolidated financial report that will show Congress and the American taxpayers the status of federal finances each year.

Information gleaned from the CFO audit process will also contribute to successful implementation of another new law, first proposed by the Chairman of this Committee, The Government Performance and Results Act. Besides the resources devoted to the CFO and GPRA laws, GAO is committed to improvements in information management throughout the federal government.

The federal government now spends about \$25 billion each year on information technology. Billions have been wasted in abortive start-and-stop efforts to modernize government computer systems. Preventing further waste and assuring efficient and cost-effective computer modernization efforts are essential.

GAO evaluations identify trends with fiscal, budgetary or oversight consequences for the government

GAO was among the first organizations, public or private, to warn that the nation's savings and loan industry faced collapse and that the Federal Deposit Insurance Corporation was rapidly approaching insolvency--developments that ultimately led to the most expensive federal bailout in American history.

Months before Orange County, California, declared bankruptcy after officials invested public funds in risky financial instruments known as derivatives, GAO had issued a major report alerting Congress to weakness in the regulation of these products.

From an outdated federal food inspection system to the crumbling financial condition of the District of Columbia, from cost overruns in major weapons systems to the deterioration of the nation's plants that produce nuclear weapons, GAO has issued major reports to alert members of Congress and other policy makers to crises in the making.

GAO believes one of its priorities must always be the identification of trends that could pose major problems for the government. With a multi-disciplinary staff and with access to financial and other records throughout the federal government, no other agency is as well placed as GAO to be the eyes and ears of Congress.

Currently, there are several possible developments that could pose future problems of major consequences. GAO is working on them now, in close consultation with the key congressional committees responsible for the areas. For example,

- Disability insurance or Supplemental Security Income now costs about \$60 billion--a 140 percent increase over the \$25 billion spent on these programs 10 years ago. GAO is working with congressional committees to suggest ways to target disability programs to bring mushrooming costs under control.
- A trend has emerged in which the Pentagon plans for more programs than it will be able to afford. With diminishing resources, this leads to program instability, stretched-out procurement of weapons systems at extra cost, and other problems. GAO is working with congressional committees to identify ways to reallocate funds to better balance the need for a strong national defense while at the same time holding down the cost of defense spending.

- The Energy Department's program to store and dispose of spent radioactive fuel from civilian nuclear power plants has reached the crisis stage. GAO is working with the Congress to assess options to deal with this waste disposal problem.

Nature of GAO's Work

As you can see from the above examples, the nature of work we do is planned to achieve one key objective--support the oversight and legislative needs of Congress. I want to reiterate that our work is audit and evaluation. It is fact-based. GAO is often asked by congressional committees to provide information on policy issues before the Congress, such as work we are currently doing for the Senate Agriculture Committee to assess aspects of programs it will consider when the farm bill is up for renewal. We expect all reports resulting from such requests to be based on objective facts and analysis. The testimonies we give each year are all grounded in our audit work and the facts and information we have developed as a result of our ability to examine, in detail, the records of agencies and entities associated with the receipt and expenditure of federal dollars.

Let me reemphasize that certain fundamental principles guide GAO in dealing with any issue we examine, including those that have policy implications. First, our role is advisory. Responsibility for deciding policy resides with members of Congress and executive branch officials. Second, we make recommendations only as they flow from the work we have performed. Third, we always strive to present our findings in a balanced manner. Fourth, any recommendations we make are based on our analysis of the information we gather and never on political or ideological considerations.

Restructuring GAO Operations and Work Processes

GAO has recognized over the years that it must continually change if it is to maintain its productivity and usefulness to the Congress. Our planned reduction of staff by 25 percent by 1997 will enable us to achieve that goal. Recently, we have realigned our organization, including developing greater issue-area expertise in our field staff. We have closed half of our 40 field offices.

Over the last decade, we have undertaken many initiatives to enhance the skill levels, and motivation of our workforce, including a totally redesigned pay-for-performance system to more effectively reward staff for performance, a revised merit promotion process and an enhanced senior executive selection and development process to prepare senior leaders of GAO. And we want to work with this Committee to make additional changes to our personnel system to enhance our ability to effectively fulfill our mission as we downsize.

We have invested substantial resources in modern technology and in training our staff to use such technology. GAO has installed telephone voice mail and video teleconferencing equipment in its headquarters and regional offices to improve communication and reduce travel costs. Computer networks linking all GAO are now being installed, promising easier, faster and more efficient sharing of information. We have implemented a program to systematically obtain feedback from members of Congress and key staff on the quality of our products. All of these efforts are critical to the successful reengineering of our audit, evaluation and supporting processes to assure that we do our work quicker, cheaper, and consistently with the highest quality.

All of these efforts are designed to provide us better assurance that we can carry out work supporting the oversight and legislative needs of the Congress more efficiently.

Legislative Proposals To Help Downsize

I would like to discuss two areas that I know are of interest to the committee. The first has to do with managing our downsizing efforts as efficiently as possible to minimize disruptions while maintaining productivity. As you are aware, our plan allows that downsizing to occur over a reasonable period of time so GAO can retain its ability to effectively respond to the oversight and legislative needs of Congress.

You requested that we propose legislation that would allow GAO to efficiently carry out a reduction-in-force. Should a RIF be necessary, we believe several legislative provisions would mitigate its effect. First, GAO should be allowed to formulate its own RIF regulations to more effectively consider staff performance, skills and expertise in making difficult RIF decisions. Second, separation incentives and penalty reductions would facilitate voluntary retirements and resignations. Part of the reason we need more flexibility is that, even as we downsize, we need to maintain our skills and capacity to carry out specific, increasingly sophisticated responsibilities in the financial and information management areas as a result of the CFO legislation.

Requiring GAO to reduce its resources by 25 percent immediately would force us to terminate more than one quarter of our staff (1600 people) within the next six months. While legislative changes to facilitate such a RIF would help, the overall consequences of such drastic action would greatly disrupt our operations and our ability to meet our congressional responsibilities and obligations.

Initiatives to Improve Our Work Processes

We know we must improve the way we do the work. We must be able to produce high-quality products on time, every time, and have processes in place to make that possible.

We initiated a number of efforts within the past several years to improve our procedures. These included adoption of goals to lessen "rework" of our products, guidelines for issuing briefing reports within 7 days after the oral briefing to congressional committees were provided, initiation of efforts to improve our ability to predict the issuance date of our reports, and efforts to reduce "cycle time" in producing reports.

The key effort that holds the most promise to reduce the costs of our jobs and the time to complete them is our effort to reengineer our job management process. We have set a stretch goal of reducing the amount of rework in our jobs by 50 percent over the next 2 years. And we know that to achieve that goal we have to change the way we plan and manage our work, including who gets involved in the jobs and when they get involved. We have to streamline our structure and we are planning to do it.

A senior level task team was established in October 1994 to identify and accelerate the GAO-wide implementation of "best practices" in units to improve GAO's entire job management process. A number of efforts were identified that can significantly improve how GAO begins assignments, plans their approach, gathers the data, and develops, reviews and issues its products. A new, full-time senior team will now take those efforts, develop a detailed new framework for our reengineered job management process, test it this year and put it in place GAO-wide in early 1996.

A key to this new process will be use of a job "risk assessment" done at the beginning of a job that will guide decisions on staffing, supervision, and product review. In addition, GAO will improve its processes for obtaining early agreement with congressional requesters on the objectives, scope and approach to the jobs and expedite its process for obtaining comments on its reports from agency officials.

One of our issue areas, Agriculture, has also reassessed all its processes, from top to bottom, to reengineer our job management and support processes using our most advanced technologies. The goal of this prototype is to test how redesigned processes can enable us to deliver timely, high quality reports on time, every time, at reduced cost to congressional requesters. Results from the prototype will be incorporated into the GAO-wide approach in 1996.

These efforts to reengineer our job management process are among the most innovative GAO has undertaken since the 1950s. The effort could be jeopardized by a widespread RIF that would disrupt GAO.

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In closing, I would like to thank you, Mr. Chairman, and the other Members of this Committee for the support and encouragement you have provided to GAO over the years. That support has allowed us to strengthen our capabilities and provide higher quality and more timely assistance to the Congress.

Today, events are unfolding in the United States and around the world at an unprecedented pace. The worldwide political and economic restructuring has important implications for how the government responds to various economic issues and for defense force reduction and realignment. At the same time, problems associated with the budget deficit continue to challenge the

nation's ability to provide programs and services in an effective, cost-efficient way. As the Congress deals with these and other issues, an independent GAO can be a strong ally by providing a focus and counterweight to the vast array of information you receive from the executive branch and the private sector.

Working together, we can help you identify ways to cut the size of government and reorganize government to better assure that programs that are needed are delivered efficiently. GAO is uniquely qualified to analyze federal financial records and performance data for the accuracy that is essential 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 financial markets and pension areas. We can watch for accelerating costs in big programs.

However, GAO must retain the resources it needs to carry out its mission. That requires your continued support. By the end of fiscal year 1994, GAO had reduced its size by over 10 percent and by 1997 under its current plan will have reduced its staff by 25 percent from the 1992 level. GAO is now at its lowest staff level in a quarter of a century. And we are committed to managing this reduction so that the quality and impact of our work are not compromised. But, based on my years of experience as an auditor in the public and private sectors, I firmly believe that reducing GAO much below the level of 4,000 staff would be very risky. At levels lower than that neither I, my successor, or the staff of GAO will be able to provide the Congress assurance that its auditor is able to adequately cover the operations of the federal government and that proper accountability exists over the expenditure of federal dollars. If that occurs, there will be a grave danger that the Congress will not be alerted quickly enough to potential problems having serious financial consequences. We should not allow that to happen.

This concludes my prepared remarks. I will be happy to answer any questions you may have.



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