

GAO

## Testimony

Before the Subcommittee on Government Management,  
Information and Technology  
Committee on Government Reform and Oversight  
House of Representatives

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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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**75** years  
1921 - 1996

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Mr. Chairman and Members of the Subcommittee

I am pleased to appear before you today to discuss the work of the General Accounting Office (GAO). We welcome this opportunity to discuss the important role that GAO plays as the nation's watchdog—the agency responsible for providing the Congress with objective and credible audits and evaluations of executive branch programs and management.

GAO is justifiably proud of its long tradition of service to the Congress, its contribution to improving government operations, and the billions of dollars that taxpayers have saved as a result of its work. This year marks a milestone for GAO and a personal milestone for me as Comptroller General. In July 1996, GAO will celebrate 75 years of service to the Congress, and in September 1996 I will be completing my 15-year term of office. The GAO that I will leave to my successor will be a leaner organization. Since 1992, our downsizing efforts will have reduced GAO's workforce by one-third. At 3,500, the agency's workforce will be at its lowest level since before World War II. Still, GAO will remain an organization of highly skilled professionals that has successfully managed this substantial reduction while remaining a highly productive and effective source of information for the Congress.

Creation of the General Accounting Office was the culmination of a national debate over who had authority—Congress or the President—to set the federal budget. In the end, a deal was struck and a compromise made: The President was given authority to propose the national budget with the help of a new Bureau of the Budget. In return, Congress reserved the right, through GAO, to set federal accounting rules and to audit executive spending.

Over 75 years, GAO has evolved from an agency of bookkeepers to an agency of experts in far-ranging disciplines. Where GAO once employed an army of voucher clerks, we are today an agency of highly-trained specialists: auditors and lawyers, health experts and economists, statisticians and methodologists, computer specialists, and engineers.

Let me highlight for you GAO's success in meeting its mission responsibilities in the midst of downsizing, as well as actions we have recently completed or have underway to continue to improve GAO's ability to serve the Congress.

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## Impact of GAO'S Work

In today's challenging times, we must find ways of doing a good job even better—and doing it faster, at less cost, and with fewer people. During the 10 years beginning in 1983, GAO virtually doubled its productivity. And although budget constraints since fiscal year 1992 have required us to significantly reduce our workforce, we have maintained both our productivity and the uncompromising quality of our products and services. To amplify on how GAO has been able to provide information to help the Congress and the executive branch make decisions that have improved government operations, I will use several charts to review our service to the Congress and our contributions to the taxpayer since our last House oversight hearing in 1993. In essence, these charts, in keeping with the Government Performance and Results Act, highlight the major results and outcomes of GAO's work.

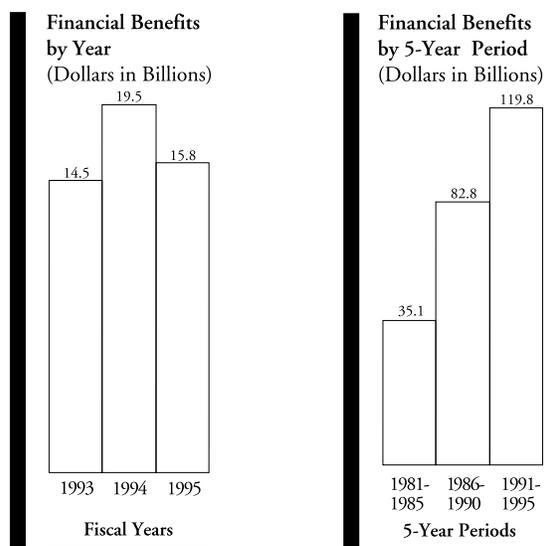
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## Achieving Financial Benefits

Year after year, our work has led to legislative and executive actions—budget reductions, cost avoidance, appropriations deferrals, and revenue collections—that have provided financial savings and other benefits in the billions of dollars. Let me direct your attention to the first set of charts that shows that in fiscal year 1995 alone, these financial benefits totaled nearly \$16 billion—a return of more than \$35 for every dollar appropriated for GAO. The companion chart documents a steady upward trend in our measurable benefits in the preceding three 5-year periods. Between 1991 and 1995, financial benefits that either were directly attributable to or significantly influenced by our work totaled nearly \$120 billion, or about \$55 for every dollar appropriated for GAO. Given the importance of reducing the budget deficit, we keep financial benefits at the forefront of our work.

Illustrative examples of important financial accomplishments achieved by the Congress and the executive branch as a result of our work include efforts ranging from studies of the health care system's vulnerability to fraud and abuse which yielded billions of dollars in budget reductions and significant administrative reforms, to reports on the Department of Energy's nuclear programs that led to decisions that saved billions of dollars, including terminating construction of an uranium enrichment plant and the Clinch River Breeder Reactor; from work on inefficient and

# Financial Benefits for the American Taxpayer



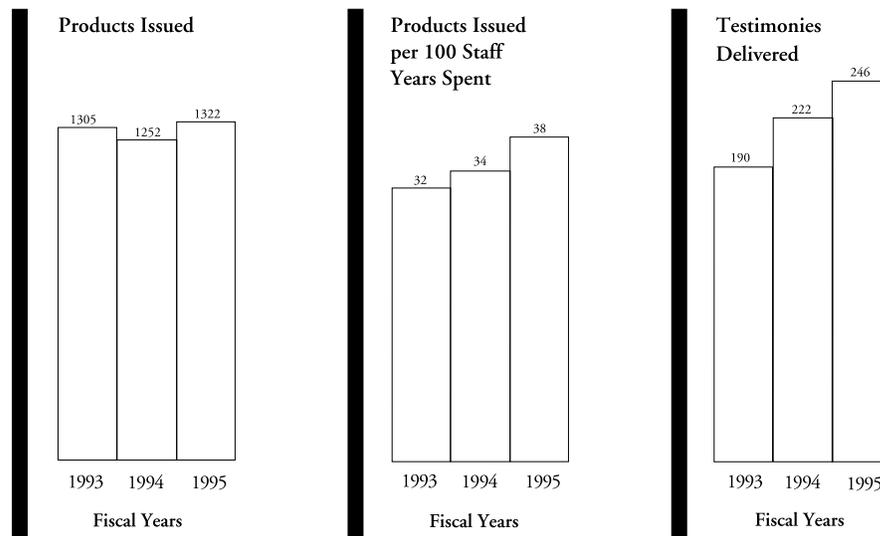
wasteful inventory management practices at the Department of Defense, which resulted in use of more efficient business practices and savings of billions, to suggested tax code changes, which resulted in billions in tax savings; and from oversight of multi-billion dollar information system modernization efforts at the Internal Revenue Service and the Federal Aviation Administration crucial to congressional funding decisions on these programs, to reorganization and streamlining of federal departments, such as the Agriculture Department, which yielded billions more in savings and improved customer service. Our goal is to continue this trend. Work underway since the beginning of the new Congress is designed to achieve similar results.

## GAO's Productivity Rises Significantly

The next set of charts shows how we have been able to maintain or increase our productivity levels despite budgetary reductions. In fiscal year 1995, GAO produced 1,322 audit and evaluation products that cut across the full range of government programs and activities. These consisted of 910 reports to the Congress and agency officials, 166 formal congressional briefings, and 246 congressional testimonies. The productivity level for fiscal year 1995 represents a 6-percent increase over that for fiscal year 1994. Moreover, when GAO's downsizing efforts are considered and its productivity calculated on the basis of output per 100 staff years spent, the product volume for fiscal year 1995 represents a 12-percent increase over that for fiscal year 1994.

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## GAO Maintains Productivity Despite Staff Reduction



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Responding to congressional requests for testimony is one of GAO's most important services, and this has continued with the 104th Congress. The chart shows a steady upward trend in the number of testimony appearances between fiscal years 1993 and 1995. In fact, during the first 100 days of the new Congress, GAO officials were called upon to testify a record 109 times. In total, in the first year of the new Congress, 72 GAO witnesses testified 246 times before 112 congressional committees and subcommittees on issues that ranged from budget savings, to fraud, waste, and abuse, to proposals for reengineering the federal government. By comparison, 42 GAO witnesses testified 117 times in fiscal year 1985. This demonstrates the extent to which congressional committees are increasingly finding GAO's work relevant to and useful in addressing issues of concern to Congress. It also illustrates the increased level of expertise in our senior executive ranks.

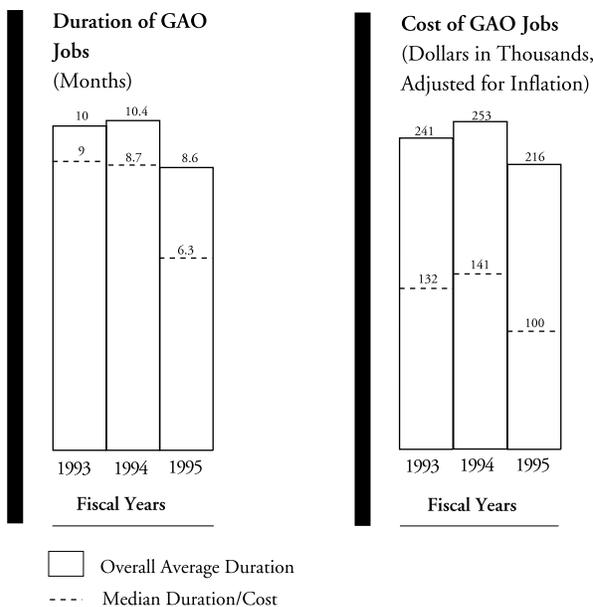
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## Improvements in Government Operations

Many of GAO's recommendations and audit findings result in or contribute to improvements in the effectiveness and the efficiency of government operations and services and have provided information and analyses on some of the most pressing and controversial matters faced by the Congress. As shown in the next chart, GAO documented nearly 200 of these accomplishments in each of the past several years and more than 200 in 1995.

For example, the Chief Financial Officers (CFO) Act of 1990 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. The law now requires major federal agencies for the first time to prepare financial statements and undergo annual financial audits.

# GAO Improves Responsiveness and Lowers Cost of Jobs



GAO was also among the first organizations, public or private, to warn that the nation's savings and loan industry faced collapse and the Federal Deposit Insurance Corporation was rapidly approaching insolvency—developments that ultimately led to the most expensive federal bailout in American history and the rebuilding of the bank insurance fund. Also, 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 the Congress to weaknesses in the regulation of these products. GAO's work has also led to improvements in major departments and agencies, such as the Social Security Administration, the Internal Revenue Service, and the Postal Service, that dramatically influence the public's perception of the efficiency and effectiveness of the federal government.

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## Improved Services to the Congress

GAO's record of accomplishment notwithstanding, we recognize that success requires continuous improvement in quality while reducing the duration of jobs and their cost. GAO's workload has become larger and more technically and analytically complex, even as budget and staff resources have become more constrained. Nevertheless, the chart below illustrates that in the key dimensions of job length and job cost, GAO's performance improved in 1995, thus providing better service to the Congress.

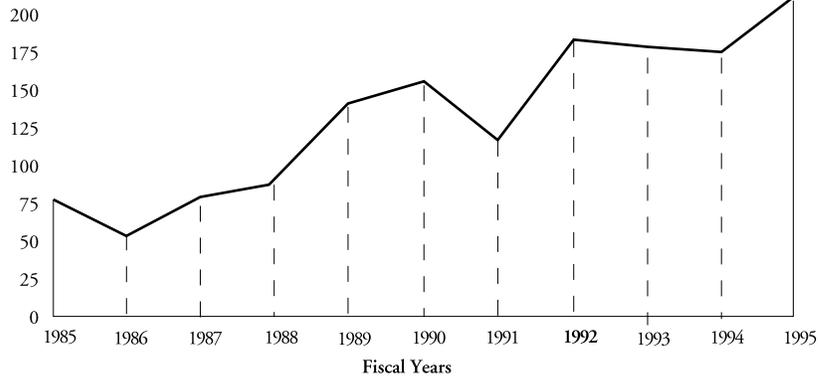
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## GAO Recommendations Lead to More Effective Government



Actions Taken as a Result of GAO Recommendations or Audit Findings



The chart shows reductions in both the average and the median duration and cost of GAO's jobs between fiscal years 1993 and 1995. The median is

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the more important indicator since it is more representative of the time and the cost of a typical assignment. As the chart shows, GAO's median assignment duration dropped from 8.7 months in fiscal year 1994 to 6.3 months in fiscal year 1995, or over 27 percent. Similarly, the cost of a typical assignment during this period dropped 29 percent, providing the Congress with more cost-effective products and services.

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## Setting Priorities

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 refocused the annual planning process for GAO's 32 issue areas to obtain a more complete understanding of the issues the Congress is likely to address in the next several years. 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 plans define the major issues about which we believe the Congress will need information and advice and describe the overall strategy and likely jobs that we will undertake as resources become available.

In setting priorities for our work, we give preference to committee requests made by chairs and ranking minority members, as well as to legislative mandates. We also attempt to preserve some level of resources for important self-initiated work that may not as yet have a congressional sponsor, but we believe could have important impacts on the effectiveness of government or could help avoid economic losses to the taxpayer. Over the past several years, the proportion of our staff years spent at the specific request of the Congress has ranged from 70 to 80 percent of our available audit resources.

Resource constraints have required us to continue to constantly look for ways to refine and improve upon how we set our work priorities. In this regard, we published, in March 1995, a GAO-wide strategic plan entitled Following the Federal Dollar that identified the following five broad areas of work to which we have assigned the highest priority:

- Promoting a More Efficient and Cost-Effective Government;
- Exposing Waste, Fraud, Abuse, and Mismanagement;
- Targeting Spending Reductions to Reduce the Deficit;
- Improving Accountability Through Financial and Information Management; and
- Identifying Trends With Fiscal, Budgetary, or Oversight Consequences for the Government.

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Some of the benefits for the Congress from GAO's work as a result of this mission and structure are illustrated below.

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### GAO Audits Help Assure a More Efficient and Cost-Effective Government

GAO is in a unique position to help the Congress as it strives to reexamine the objectives and structures of federal programs and initiatives to cut the deficit. Committees in both houses have requested that GAO do work vital to their legislative agendas. Moreover, new and continuing statutory requirements necessitate that GAO continue to play a key role in improving government accountability and management.

We believe that it is possible not only to create a government that costs less, but one that at the same time operates more efficiently and effectively. Downsizing is one way to move toward this goal, but downsizing must be carefully planned and carried out—a process that demands the kind of objective and comprehensive information GAO is uniquely equipped to gather. We have, for example, studied defense force structure in light of decisions to reduce the size of the U.S. armed forces, tracked the results of previous downsizing efforts at the Social Security Administration and other agencies, and studied downsizing approaches taken by private sector organizations.

We have a number of audits and evaluations either underway or contemplated for the coming months that could yield significant savings for the government, for example, identifying “best practices” to help streamline defense acquisition, procurement, finance, inventory management, maintenance and repair, and transportation; identifying more cost-effective ways to clean up the nation's nuclear weapons complex; evaluating major reorganization proposals facing the Federal Aviation Administration and Amtrak; and identifying alternative return-to-work strategies to reduce the costs of the Social Security Administration's disability programs.

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### GAO Audits Expose Waste, Fraud, Abuse, and Mismanagement

After the scandal at the Department of Housing and Urban Development in the late 1980s, as well as the “Ill Wind” scandal at the Department of Defense, we began a widely publicized effort to identify and monitor programs at risk for waste, fraud, abuse, or mismanagement. Through scores of studies and two special series of reports on “high risk” programs—the most recent of which appeared in February 1995—we have highlighted areas in which major improvements are needed to protect the

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taxpayers' interests. Priority work includes assessing payment practices under Medicare, where losses run into the billions annually; minimizing defaults in federal loan programs, such as student assistance and the Farmers Home Administration, where loss exposure runs into the billions of dollars; and monitoring defense programs in which billions of dollars have been spent on unneeded inventory and millions of dollars have been incorrectly paid to defense contractors.

Our highlighting of high risk programs is paying off. The most recent high risk reports confirmed that progress had been made in attacking the root causes of problems at 15 of the 18 programs we had identified through fiscal year 1994. Five of the 18—the Bank Insurance Fund, the Resolution Trust Corporation, the Pension Benefit Guaranty Corporation, the State Department's management of overseas property, and the Federal Transit Administration's grant management program—are now on sound enough footing that we have removed their high-risk designations. In fiscal year 1995, we designated seven new high risk areas, in hopes that the greater focus afforded these areas will yield progress among them as well. The areas included monitoring multi-billion dollar information technology initiatives at the Internal Revenue Service and the Federal Aviation Administration as well as assessing improvements needed in the Defense Department's financial management.

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## GAO Expertise Can Help Target Spending Reductions to Reduce the Deficit

As the Congress works to balance the federal budget, one of its major challenges will be to cut federal spending over the next 6 years by a total of \$1 trillion or more. Every year, we work with the congressional appropriations committees to find potential savings in the administration's proposed budget, generally identifying savings in the billions of dollars. We also work with the budget and authorizing committees to find opportunities to save money by modifying, limiting, or abolishing entire programs. We have underway, or soon will begin, efforts such as reviewing the need for such Department of Energy programs as the clean coal technology program, the civilian nuclear waste program, the power marketing administrations, and the Strategic Petroleum Reserve; identifying agricultural commodity programs in which savings could be achieved; assessing discretionary programs at the Department of Health and Human Services to identify those that are ineffective or whose overhead expenses run too high; and analyzing military budget requests to identify funds Congress may want to rescind or reallocate to higher priority needs in research and development, procurement, and in operation and maintenance accounts. To help the Congress address the

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deficit, GAO has also recently reported over 120 options for budgetary savings based on its audit and evaluation work and many of these options were included in the House report on the fiscal year 1996 budget resolution.

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## GAO Audits Improve Accountability Through Financial and Information Management

For more than a decade, GAO has reported to the Congress that federal agencies were lacking even minimally acceptable accounting and financial management systems. Recognizing the need for better financial management in the federal government, the Congress passed, on a bipartisan basis, the Chief Financial Officers (CFO) Act of 1990. In 1994, the Government Management Reform Act expanded the CFO Act to require major federal departments and agencies to prepare financial statements and to undergo annual financial audits.

We have a major responsibility to monitor agencies' progress under the expanded CFO act. Starting this year, the 24 largest federal departments and agencies will be required to produce auditable financial statements. Beginning in 1997, we will also have the job of auditing the annual U.S. government consolidated financial reports, which are intended to show the Congress and the American taxpayers the status of federal finances. It is crucial that CFO act implementation stays on schedule and equally important that we at GAO maintain our capacity to assist. The comprehensive, reliable data developed under the CFO act will give congressional leaders invaluable information to use in reducing federal spending and ensuring accountability among the departments and agencies. Further, the data will contribute to the effective implementation of the Government Performance and Results Act of 1993, which makes performance measurement a key element of federal program management.

We have also put considerable emphasis on the need for better information resource management (IRM). The federal government spends about \$25 billion each year on computers and information technology. It ought to be getting far greater value than it has been for so large an investment. In 1994, we produced a widely recognized report on how 11 basic principles drawn from leading public and private sector organizations could be used in the federal government's IRM programs. The Congress has already endorsed many of these "best practices" in its 1995 reauthorization of the Paperwork Reduction Act. GAO has also worked with the Congress in passing the Information Technology Management Reform Act of 1996 to strengthen the government's

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information resources management programs and improve accountability for information technology investments and results.

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## GAO Evaluators Identify Trends With Fiscal, Budgetary, or Oversight Consequences for the Government

Numerous GAO reports have alerted the Congress and other policymakers to crises in the making—from an outdated federal food inspection system to the crumbling financial condition of the District of Columbia, from cost overruns in major weapon systems to the deterioration of nuclear weapon facilities. GAO will continue to play an important role in identifying trends that could lead to major problems for the government. Four examples: The financial services industry is growing larger and more complex, but the regulatory structure in place to protect investors and depositors has many gaps. Health care costs continue to grow at a rate faster than inflation, and major changes are under way in the delivery of health care services—most notably the emergence of “managed care”—yet the implications of these structural changes for the financially pressed Medicare and Medicaid systems are unclear. The Department of Energy’s program to store and dispose of spent radioactive fuel from civilian nuclear power plants may be reaching the crisis stage; it will be the Congress’s challenge to decide how to deal with this growing problem. And, while the 1993 amendments to the Social Security Act reestablished the fiscal soundness of the Social Security retirement program, workforce and retirement trends over the coming decades will put new pressures on the program. Projections show the program beginning to run annual deficits about the year 2013. Options for addressing this problem need to be acted upon in the near term in order to assure a stable retirement future for millions of Americans.

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## Initiatives to Improve Our Productivity

I’d like to briefly discuss some of the investments we have made over the years to improve our productivity and better serve the needs of the Congress. Specifically, I would like to focus on steps we have taken to streamline our headquarters and field organization; improve our processes for conducting and reporting the results of our work; capitalize on advances in information resources technology; and enhance our methodological and technical skills. Changes such as these have allowed us to keep pace with the growth and complexity of government while reducing the size of our staff.

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## Streamlining GAO Operations

GAO understands the financial crises our nation faces and is committed to being a model government agency of the future—smaller and at the same time achieving greater efficiencies through effectively using technology

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and modern management principles. We have worked in close cooperation with this committee, its counterpart in the Senate, and our appropriations committees to develop strategies for reducing the size of GAO. By the end of fiscal year 1996, GAO's staff level will be at 3,500 full time equivalent positions. This level is down one-third from 5,325 employees in 1992 and puts GAO at its lowest staffing level since before World War II.

To manage this downsizing efficiently, we are maintaining a hiring freeze imposed in February 1992. Also, we sought and obtained the authority to manage an early retirement program as well as two separation incentive programs designed to offer incentive payments to staff that volunteered to retire from or leave GAO. Furthermore, we have consolidated some of our issue areas at headquarters and have reduced the size of our field structure by consolidating or closing eleven field offices. In fact, since the mid 1980's we have reduced our field structure from 40 to 16 locations. We are also in the process of implementing a reduction-in-force of our administrative and support staff and privatizing our supply function, and are looking for other opportunities to use contract assistance. These actions will reduce the agency by over 30 percent from our 1992 level.

While we continue to be committed to managing this reduction so that the quality and impact of our work are not compromised, significant reductions in GAO's workforce carry with it some risks. If our ability to adequately audit, investigate, and evaluate federal programs is diminished too greatly, the risk exists that we will no longer be able to effectively do our job as auditors and meet our obligation to alert the Congress to emerging and recurring problems. As I testified before the Senate Committee on Governmental Affairs in last year's oversight hearing, I am concerned that reducing GAO below the level of 4,000 staff may lead to the possibility that GAO, as an independent auditor, will be unable to provide the Congress assurances that proper accountability exists over the expenditure of federal dollars as well as adequate audit coverage of government operations.

Thus far, our downsizing efforts have resulted in some imbalances in our technical expertise, particularly in financial accounting and information systems management, which are essential to carrying out responsibilities levied on us by the Chief Financial Officers Act and to support congressional efforts to reform the federal government's financial management systems. We are also carefully assessing losses in key expertise suffered in our program audit areas which will require attention.

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Critical to our ability to accomplish this downsizing is our continuous improvement effort that has enabled us to focus on reengineering our job management processes and use enhanced technology to improve 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.

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## Investments to Improve Our Work Processes

GAO knows that it must be able to produce high quality products on time, every time, and have high quality processes in place to make that possible. To achieve this, we are implementing a new standardized work process, which we developed, that is to be used uniformly throughout GAO. The process incorporates new technology and automated tools to ensure timely responses and enhanced quality in every job.

For our congressional customers, the new process means greater focus on them and a more businesslike working relationship. The result is a prompt response, early information on the proposed methodology, a delivery date, and a written commitment.

Within GAO, collaboration and teamwork are the cornerstones of our process. New approaches have been added to ensure that all staff and managers meet early and continuously on assignments to assure agreement on a job's design and messages. The new process also includes a streamlined product review phase that allows our management to tailor its involvement according to the complexity or sensitivity of the jobs, thereby maximizing the efficiency of staff time invested. Emphasis has also been placed on obtaining agency comments on all products to ensure the completeness and objectivity of GAO's reports. The new process will reduce the time it takes to obtain and address such views in our products.

This new job process will benefit all of us in several ways. First and foremost, we will be able to consistently provide a high-quality, cost-effective work product, on time. This result is ensured because the new process places a premium on communication and collaboration between GAO and our customers from the outset of a job through completion. This means not just less time wasted in rework, but more cost efficiency and reduced staff frustration.

Second, everyone will have a consistent understanding of how our work is done. Our staff will benefit from standardization and increased productivity across each of our divisions. And requesters will know how

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the process works from the request for services through delivery of those services. To remain responsive to new needs and suggestions, feedback mechanisms have also been incorporated into the process. As we strive to reach higher levels of performance, we will listen to both customer requirements and staff suggestions.

Our new process is scheduled to be fully operational by June 1, 1996. Once implemented, we expect this new process to enable us to achieve our goal of delivering timely, high quality reports on time, every time, at reduced cost.

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## 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. Successful organizations must integrate information and technology into the very fabric of the organization itself, and we have undertaken a number of initiatives to do just that.

We have invested substantial resources in modern technology and in training our staff to use such technology. Computer networks linking all GAO have been installed, providing easier, faster, and more efficient sharing of information. We are also in the process of implementing a full-scale program for computerized data collection and analysis, which will enable our work groups to complete their assignments more efficiently by increasing their ability to share information, reuse data, manage assignments, reduce rework, and review products.

Our communications capability has also been enhanced by initiatives to upgrade telephone services and to establish videoconferencing capability in our headquarters and regional offices. The changes in our telephone services have given us communications compatibility with the legislative branch, and significantly reduced costs. The new videoconferencing equipment has allowed staff to become more productive by improving communications and teamwork and decreasing travel costs.

We also have in place 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 nearly a decade.

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## Investing in the GAO Workforce

As we strive to continually improve our responsiveness to the Congress and the efficiency with which we carry out our work, our people are clearly our most critical resource, and our organizational success depends on how well we manage that resource.

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 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 specialized training in such fields as financial management, information management, and logistics and we are taking advantage of standard audit methodologies to help ensure that we consistently produce timely, high quality results. We also require continuing professional education for all evaluator and evaluator-related staff, including senior managers. They must complete 80 hours every 2 years in order to remain qualified to conduct audit or evaluation work. And we have extended similar requirements to our attorneys. We believe that these training efforts have 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.

These efforts build on the foundation for effective human resource management that we laid down over the last decade: a pay-for-performance system designed to more effectively reward staff for their contributions, a revised merit promotion process, a broad-banded system to replace the rigid structure of federal GS pay schedules, and an enhanced senior executive selection and development process to ensure that our future leaders are carefully chosen and thoroughly prepared.

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 effectively.

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## Actions Taken in Response to the NAPA Report

In May 1993, the Senate Committee on Governmental Affairs asked the National Academy of Public Administration (NAPA) to convene a panel to conduct an independent assessment of GAO's roles, mission, and operation. NAPA recognized in its October 1994 report that GAO has been a valuable part of the federal government for more than 70 years, providing audit,

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research, and evaluation services to the government in general and to the Congress in particular. In addition, NAPA recognized that our statutory foundations were sound and recommended no legislative changes. NAPA also found no evidence of GAO deliberately steering its research toward satisfying particular policy or partisan interests.

The NAPA report provided a number of useful suggestions on how GAO could best work with the Congress to improve and enhance the economy and efficiency of government. GAO has taken a number of actions to better focus its work and to optimize its usefulness to the Congress that are consistent with these suggestions. For example, GAO has taken several steps to increase the transparency with which it conducts its work. Specifically, GAO formalized and distributed to the Congress its Strategic Plan. In addition, issue area strategic plans outlining the key issues and focus of planned work are made publicly available to the Congress and other cognizant officials. Congressional committees, Members and staff are also provided with quarterly listings of assignments underway in GAO issue areas to ensure that they are advised of all ongoing work.

NAPA also provided a number of useful suggestions on how we could improve our work processes for doing our work and reporting the results. Their suggestions significantly influenced the development of our new job management process discussed earlier in this statement.

In addition, an external peer review program has been implemented, adding another important dimension to GAO's program for ensuring the quality and credibility of its work. KPMG Peat Marwick recently completed an external review of our financial audit work and issued an unqualified report stating that the system of quality control for this work met the objectives of applicable quality control standards established by the American Institute of Certified Public Accountants and Government Auditing Standards.

Further, GAO has worked successfully with committee and subcommittee leadership to reduce the number of congressional detailees and to eliminate details beyond the 1-year statutory limitation. The number of detailees has continually decreased over the last few fiscal years from 61 detailees at the end of fiscal 1990, to 32 detailees at the end of fiscal 1993, to 15 detailees as of March 1996. This reduction has been influenced by a January 1995 House of Representatives decision to reimburse GAO for the cost of detailees.

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## Assuring Institutional Credibility

Most of my testimony today has focused on the results-oriented framework suggested by the Government Performance and Results Act for judging an organization's performance and various management initiatives to improve GAO's ability to serve the Congress. Before closing, let me spend a few moments describing for you GAO's unique and historic role in our American system of government and the important features in GAO's legislative authority that have allowed it to evolve over 75 years into an institution that can be relied on by the Congress as a source of nonpartisan, credible information.

If our skills and mission responsibilities have changed over the years to meet the evolving needs of Congress, the core of what GAO is all about remains the same today as it was in the beginning.

Independence and credibility were the two cornerstones on which the Congress created GAO. GAO's founding legislation, the Budget and Accounting Act of 1921, was drafted to severely limit the extent to which GAO could be subjected to political partisan pressure. This is apparent not only in the act's provisions regarding the Comptroller General but also in the debate prior to the act's passage. For example, the debate repeatedly stressed that GAO and the Office of the Comptroller General were structured ". . .to make them absolutely independent of the Executive in their decisions."

Representative Good, a principal sponsor of GAO's original authorizing legislation, voiced a similar 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."

The authors of the act were concerned with insulating GAO from political pressures as evidenced by the following exchange:

"Mr. BLAND: Did not the committee contemplate that the comptroller general might not only be brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisle in Congress, and possibly both sides, in the impartial discharge of his duties?"

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“Mr. GOOD: Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they criticize, their political heads will come off.”

Later debate linked the drafters’ concerns regarding political pressure to the limitations on the circumstances under which the Comptroller General can be removed.

“Mr. SIMS: I appreciate the attempt to take this matter away from consideration as a political matter; but does the gentleman think that the President is more likely to act from partisan considerations than would a partisan Congress, where both Houses are of the same political party?”

“Mr. GOOD: That is one of the reasons why we provided in the law the causes for removal, and the only causes are inefficiency, incapacity, neglect of duty, malfeasance in office, or some offense that involves moral turpitude.”

Representative Good summed up congressional intent with respect to GAO’s independence this way:

“It was the intention of the committee that the comptroller general should be something more than a bookkeeper or accountant; that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of the Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied—which is another term for inefficiency—that he would bring such facts to the notice of the committees having jurisdiction of appropriations.”

The end result of this concern for independence was a statute that permanently authorized GAO, provided the Comptroller General with a 15-year nonrenewable term of office, and set stringent requirements for his removal either by impeachment or by joint resolution of the Congress for specific cause. Consistent with the drafter’s intentions, the tenure and related pension provisions for the Comptroller General are similar to those for federal judges.

Once GAO was established, it was the first Comptroller General, John McCarl, who set the pattern of independence and integrity that has marked GAO throughout its 75 years. He clashed repeatedly with executive branch agencies. Through the 1930’s and 1940’s there were several Presidential attempts to weaken GAO, but Congress would have none of it.

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Within a decade of its creation, Congress had come to rely on GAO and it was not about to bow to Presidential pressure to abolish or significantly modify GAO's role and powers.

This credibility that was hard-won in the early days of the 1920s and 1930s continues as GAO's bedrock value as it prepares to enter the 21st century. GAO remains today an organization of men and women who jealously guard a reputation that is based on objectivity, fairness, impartiality, and independence. GAO's credibility goes hand in glove with its ability to serve the Congress. It is precisely because GAO takes care to see that reports meet the highest standards of credibility that they cannot easily be dismissed.

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## Final Observations

As the 20th century winds down, GAO has new challenges to meet. We are charged by the expanded CFO Act with auditing, in 1997, the first consolidated financial statements of the federal government. For GAO, this is an unprecedented undertaking. Never before has the federal government been subject to an independent financial audit — something routinely demanded of every public corporation in America and which has been required for state and local governments since the Single Audit Act of 1984. Such an audit promises to provide Congress and the American people with the first reliable financial data on the operation of the federal government. GAO also has a major role to play in monitoring the new Government Performance and Results Act—a law that requires federal agencies to set strategic plans and performance measures that will track results. Together, the CFO Act and the Government Performance and Results Act hold the potential for vast improvement in the management of federal agencies and programs. GAO is proud of its role in implementing these laws.

Finally, GAO intends to continue meeting the needs of Congress with work that is objective and independently derived; accurate, timely and meaningful; and presented in a way that is most useful to responsible officials. Wherever our services are required, GAO takes seriously its mission to seek honest, efficient management and full accountability throughout government. In areas as diverse as energy and housing, law enforcement and banking, health care and education, information technology and financial management, international affairs and defense, program evaluation and methodology, GAO seeks to serve the public interest.

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Mr. Chairman, my tenure as Comptroller General will end five months from today. I cannot begin to describe to you the pride I take in my association with the men and women who have made GAO the effective organization it is today.

For 75 years, GAO has served the legislative branch with honor and commitment. As I prepare to retire, my overriding goal is to leave for my successors an independent, impartial, nonpartisan GAO capable of sustaining and continuing this proud tradition for the next 75 years and beyond. I urge this committee to consider with prudence and care any proposal to fundamentally alter the very characteristics that make GAO the credible organization it is today. These characteristics—especially the 15-year nonrenewable term for the Comptroller General and the agency’s permanent status—have made GAO a success story among government agencies. I believe it would be a serious mistake to tamper with that success.

The General Accounting Office is an immense resource for all who believe that an honest and accountable government is essential to the proper functioning of our democracy. It has served our nation with commitment and dedication, pride and honor. GAO has earned the trust and respect of Congress and the American people.

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