

GAO

Testimony

Before the Subcommittee on Legislative, Committee on
Appropriations, House of Representatives

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**FISCAL YEAR 2001
BUDGET REQUEST**

**U.S. General
Accounting Office**

Statement of David M. Walker
Comptroller General of the United States



Mr. Chairman and Members of the Subcommittee:

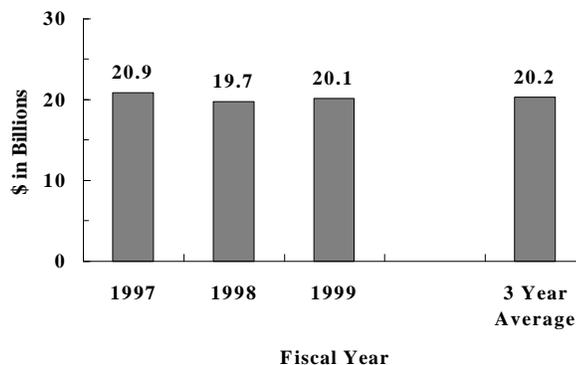
I am pleased to appear before you today--about 15 months after becoming the seventh Comptroller General of the United States--to present the U.S. General Accounting Office's (GAO) fiscal year 2001 budget request. GAO is a great agency. We had an excellent year in fiscal year 1999 and are on a similar path for fiscal year 2000. GAO has never been more important than today, given the increasing complexity, the increasing interdependency, and the multidimensional nature of the challenges that face the Congress and the nation. There is no other organization better prepared to help the Congress address the full range of important national issues than GAO.

Maintaining and enhancing GAO's preparedness to serve the Congress in today's complex and rapidly changing global environment, however, presents its own challenges. As a result of a tremendous amount of due diligence over the past year, we identified a number of issues that, if not addressed, could place GAO at risk of being unable to continue serving the Congress effectively. We are 40 percent smaller today than in 1992, and congressional demands for our services have increased, a trend we anticipate will continue. At the same time, given the continued interest in fiscal restraint, we can not expect to receive significant increases in financial resources beyond inflation or in the level of full-time equivalent (FTE) staff currently authorized.

Recognizing the strong likelihood of constrained resources and increasing client demands, we must begin doing things differently in order to continue to effectively serve the Congress, both today and in the future. We must take steps to maximize our effectiveness; manage risks; and optimize staff productivity, efficiency, and effectiveness. During the past year, we initiated a number of efforts to begin addressing these challenges. Our fiscal year 2001 budget request continues down this path toward strengthening GAO, so that we can continue to effectively meet the demands and expectations of the Congress and remain an important asset to Members as they address the current and future needs of the American people.

FISCAL YEAR 1999 ACCOMPLISHMENTS

Before I begin presenting the challenges confronting GAO and what we are doing, and need to do, to address them, I want to briefly summarize some of our achievements during the past year. GAO continues to provide the Congress and the American people a tremendous return on their investment. In fiscal year 1999, for every \$1 dollar invested in GAO, we helped the Congress and the agencies produce about \$57 in financial benefits, or about \$20.1 billion in total. These financial benefits were achieved through actions taken by the Congress and federal departments and agencies that led to budget reductions, avoided costs, deferred appropriations, or additional revenue collections. As illustrated in the following graphic, the return on the nation's investment in GAO for the past 3 years has averaged \$20.2 billion.



GAO's work and recommendations resulted in greater returns on the sale of federal assets, increases in net tax revenue, savings from a more efficient government, and decreased federal spending from reductions in current and future budget authority. For example, in 1995, GAO testified that the U.S. Treasury would receive a greater return if the government sold, rather than continued to operate, the U.S. Naval Petroleum Reserve in Elk Hills, California. Based on subsequent assistance that we provided the Congress and efforts to ensure that the government

received a maximum return on the sale, the reserve sold for about \$1.5 billion above the minimum asking price.

Also, based on options we presented, the Congress changed the earned income tax credit law in 1996 by adding wealth, capital gains, and income tests to the program's eligibility criteria. This led to the federal government avoiding payment of about \$1.3 billion in earned income tax credit benefits. In addition, about \$609 million was saved in the Department of Defense's fiscal year 1999 military personnel budget as a result of several opportunities that GAO identified in which the military personnel budget could be reduced without compromising our overall readiness.

In addition to the financial benefits resulting from our work, we were instrumental in bringing about over 600 needed improvements in the effectiveness and efficiency of government operations and services. Our recommendations led to increased readiness in the public and private sectors for the year 2000 computing challenge, better public safety and consumer protection, more efficient and effective government operations and services, better assessments of program results, and enhanced computer security. For example, we contributed greatly to reducing the federal government's vulnerability to the year 2000 computing challenge. As a result of our research and development efforts to identify and help the Congress address emerging issues, we identified the year 2000 computing issue as a high risk area for the federal government in February 1997. Our series of guides prepared to help organizations address Y2K challenges, assistance provided to the Congress and federal agencies, and over 150 reports and testimonies helped ensure that the federal government was better prepared to transition into the 21st century and avoid serious disruption in services to the American public. We worked closely on this issue with the House Committee on Government Reform, Subcommittee on Government, Management, Information, and Technology; the House Committee on Science, Subcommittee on Technology; the Senate Special Committee on the Year 2000 Technology Problem; and the President's Council on Year 2000 Conversion. Our work in the information security area also made important contributions in (1) identifying the extent of the problem and inherent risks faced by key government agencies, (2) identifying "best practices" and developing guidance that can be adopted by government entities to better protect their information assets, and 3) supporting congressional initiatives to develop effective legislation.

Other areas of improvements stemming from GAO's work include the Social Security Administration (SSA) commencing several initiatives to reduce overpayments in the Supplemental Security Income program as a result of the numerous reports we issued on the program. One such initiative is SSA expanding its use of online data to better verify recipient financial information and prevent program overpayments.

Our work also has contributed to improving public safety. Our series of Medicaid-related reports, highlighting the disturbing frequent extent of poor quality care that results in harm to nursing home residents, led to enhanced oversight of nursing homes by the Health Care Financing Administration (HCFA) and some states. For example, in response to our recommendations, HCFA announced a set of nursing home initiatives, including establishing a requirement that states investigate serious complaints alleging harm to residents within 10 days.

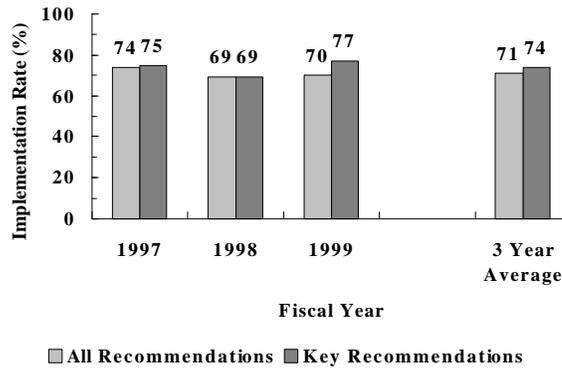
In the consumer protection area, we reported on the prevalence and costs of identity fraud. Identity fraud involves the illegal use of another person's identifying information, such as their name, social security number and date of birth, to commit financial crimes ranging from the unauthorized use of a credit card to a comprehensive takeover of financial accounts. Relying on the results of our study, the Congress enacted the Identity Theft and Assumption Deterrence Act, which specifically criminalized the theft and misuse of personal identifying information and provided legal recognition of the victims of identity theft.

Additional examples of the financial benefits and improved government operations and services achieved through GAO's work are included in our budget submission.

Our audit and evaluation products included over 900 recommendations to improve the management and efficiency of government operations and programs. Seventy-seven percent of our key recommendations over the last 4 years were implemented by the end of fiscal year 1999. The average implementation rate for the past 3 years has been 74 percent, as illustrated in the following graphic.



Recommendations Implementation Rate for Fiscal Years 1997 - 1999*



*Implementation rate for recommendations made during previous 4 years

CHALLENGES FACING GAO

As I mentioned in my opening remarks, we invested in a tremendous amount of due diligence in fiscal year 1999 to identify ways to enhance our effectiveness, efficiency, and services to the Congress. Before and after my confirmation in November 1998, I personally met with key congressional leaders and many other members and staff, as well as GAO staff, to obtain their views and perspectives about GAO and to identify areas in which we could strengthen our operations and services to the Congress. I will continue to do this throughout my tenure. In addition, we examined our human capital profile to identify opportunities to strategically rebalance and strengthen our human capital assets in order to maintain the readiness, flexibility, and productivity envisioned in the statutory mission of GAO. More recently, a survey of GAO employees was completed, the results of which will be used to identify additional opportunities to strengthen GAO's economy, efficiency, and effectiveness.

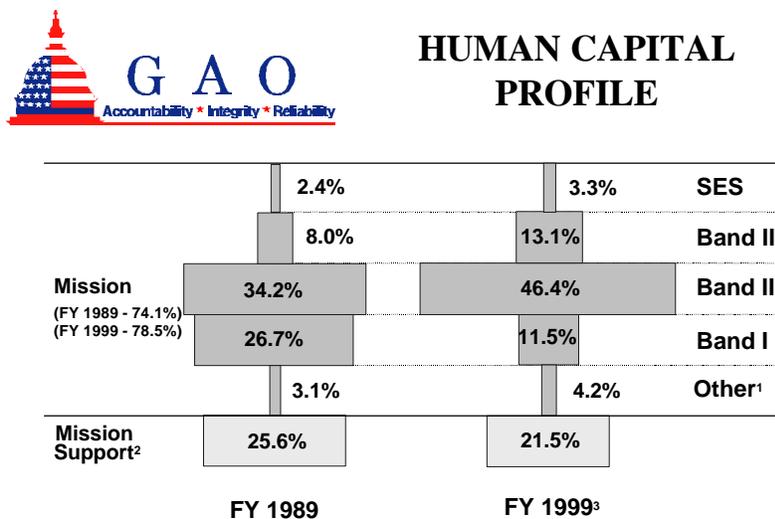
We identified a number of challenges that must be addressed in order to increase the effectiveness and efficiency of our services to the Congress in the 21st century. The most

important and most urgent of these challenges is making necessary changes to our human capital management practices.

Human Capital Imbalances

Our current human capital profile has succession planning, structural, and skill imbalance issues that we need to address. Succession planning is a major human capital issue that we must address. Nearly 34 percent of our evaluator and related staff will be eligible to retire by the end of fiscal year 2004. In addition, about 55 percent of our senior executives and 48 percent of our management evaluators will become eligible to retire by that time. Other critical positions, such as attorneys, criminal investigators, and mission support, are also vulnerable.

Another human capital issue is more structural in terms of staffing. As illustrated in the following graphic, we are sparse at the entry-level -- a result of the 5-year hiring freeze we began in 1992 to downsize and later continued to achieve mandated funding reductions.



¹Attorneys and criminal investigators

²FY 1989 includes 20 SES, or .39 percent of all staff; FY 1999 includes 17 SES, or .52 percent of all staff.

³Data as of August 1999

Note: Total SES staff, mission and mission support, represented 2.8 percent and 3.9 percent of all employees in FY 1989 and FY 1999, respectively.

Maintaining proper skills is another issue that needs to be addressed. The development and training of our senior executives in key competencies, such as leadership, communications,

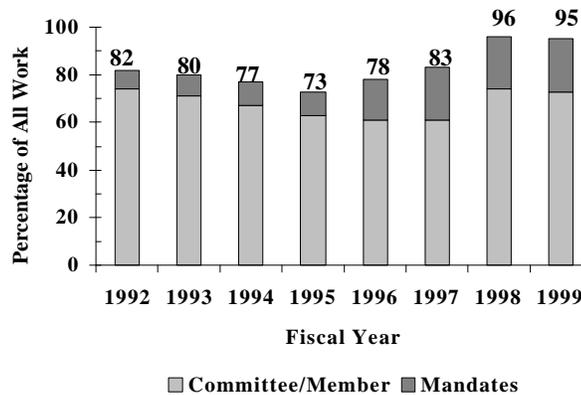
project supervision and conflict resolution, have remained at a drastically reduced level since fiscal year 1993. In addition, new technical skills unavailable in needed quantities within the agency, especially actuarial and information technology skills, will be needed to effectively assist the Congress in meeting its oversight responsibilities.

Increasing Congressional Demands

At the same time we are facing several human capital challenges, congressional demand for our services remains at record levels. The Congress continues to turn to GAO for assistance on significant issues facing the nation. As illustrated in the following graphic, congressional requests and mandates for GAO services have increased in recent years.



Work Conducted at the Request of the Congress in Fiscal Years 1992 - 1999

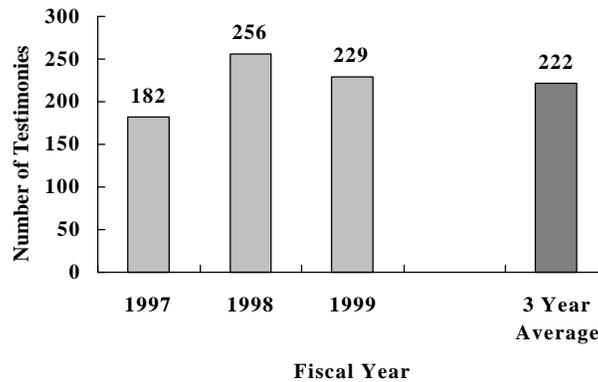


During fiscal year 1999, we were called upon to testify 229 times before 93 congressional committees or subcommittees. Additionally, we were requested to provide 22 statements for the record. Examples of the issues and topics covered in our testimonies that have assisted the Congress in its decision-making and oversight responsibilities include our performance accountability and high risk series that depict major management challenges and program risks facing the government’s major departments and agencies, Social Security reform proposals,

financial and operational aspects of the International Monetary Fund, DOD's anthrax vaccination program, and Medicare reform. As illustrated in the following graphic, the number of testimonies we provide fluctuates annually, depending upon congressional activity. Over the past 3 years, we have averaged about 222 testimonies a year.



Testimonies for Fiscal Years 1997 - 1999



INITIATIVES UNDERWAY TO STRENGTHEN GAO

We began a number of initiatives this past year to address the challenges facing GAO and to further enhance our organization and services to the Congress. One of our first initiatives was to establish GAO's core values--accountability, integrity, and reliability. These core values describe what we do, how we do it, and how we want our work to be received. Other key efforts started this past year have been focused on client relations; developing a strategic plan; and strengthening our communications, human capital, information technology, job processes, and organizational alignment. Let me briefly summarize some of these key efforts for you.

Client Relations

We have initiated a client outreach program to assist GAO and the Congress in understanding how best to meet congressional needs and use our resources and services. During each

Congress, we plan to meet with the House and Senate leadership, all Committee Chairs and Ranking Minority Members, and members of our oversight and appropriations committees to obtain feedback on our performance and to help develop future work plans.

Through consultation with key congressional leaders, members, and staff, we also have developed a set of clearly defined, well documented and transparent protocols, intended to be consistently applied in setting priorities, allocating resources, and serving our client—the Congress. These protocols will be used to help determine resource allocations, guide interactions with the Congress, and ensure our accountability to the Congress. We began implementing these protocols in January of this year and will test them throughout the Congress until August 2000. We will finalize them by October 2000. We also are exploring efficient ways to obtain systematic client feedback from appropriate members and key staff.

Draft Strategic Plan

We are working with the Congress to craft the first strategic plan for the 21st century, covering fiscal years 2000 through 2005. This draft plan sets forth the issues around which we need to focus and develop our resources to effectively serve the Congress over the next 6 years. The plan, developed after extensive consultation with congressional members and staff, as well as GAO staff, is rooted in the reality that the vast majority of our resources are devoted to responding to requests from committees and statutory mandates. It also contemplates investing limited resources in important discretionary research and development work to identify and help the Congress address emerging issues facing the nation and its citizens before the issues reach crisis proportions. We plan to issue our strategic plan in the spring of this year.

As illustrated in the attachment to my statement, our plan is designed around four strategic goals:

- Help the Congress and the federal government address current and emerging challenges to the well-being and financial security of the American people;

- Help the Congress and the federal government respond to changing threats to national security and the challenges of global interdependence;
- Support the transition to a more results-oriented and accountable federal government; and
- Maximize the value of GAO by providing timely, quality service to the Congress while being a model organization for the federal government.

Communications

We also have taken numerous steps to strengthen communications within the agency. Since taking office, I have visited all of our field offices, conducted numerous internal staff meetings, and held quarterly agency-wide videocasts to keep people apprised of key initiatives underway and planned within the organization, as well as to respond to their questions. To date, the topics covered in the videocasts have included our draft strategic plan and congressional protocols; client service initiatives; employee survey results; initiatives to enhance our human capital programs, work processes, organizational alignment, and information technology; field office review initiative; and other areas of interest to GAO staff.

We established a Comptroller General Employee Advisory Council with which I will meet every quarter to discuss current and emerging issues of mutual interest and concern. In addition, a new employee suggestion program has already led to several recommendations that have enhanced GAO's operations. World-class organizations like GAO need to tap regularly into the ideas and ingenuity of their staff to continuously improve their economy, efficiency, and effectiveness. We will continue to strive to do so.

Human Capital

We need to invest more heavily in our people—our greatest asset. Targeted investments need to be made in our training, performance rewards and incentives, and performance appraisal systems. In addition to examining our human capital profile, we have begun efforts to strengthen

and redesign our performance appraisal system to better assess employee strengths and weaknesses, identify training needs, and reward and recognize exceptional performance, and to improve performance at all levels. This effort began in fiscal year 1999 and will continue over the next 2 years. We have revised our fiscal year 2000 performance standards to incorporate our core values and strategic goals; updated descriptions of performance to better reflect the current nature of our work; and other key concepts, such as leadership-by-example, client service, measurable results, matrix management, open and constructive communication, and balancing people and product considerations. We also are in the process of identifying best practices with respect to performance appraisal systems in both the private and public sectors, with a goal of implementing a new performance appraisal system for our evaluators beginning in fiscal year 2001, but no later than fiscal year 2002.

Efforts also are underway to develop a skills inventory system that will be used to identify skill gaps, training, and succession planning needs, both at an institutional and individual level, and to staff assignments more effectively. We will continue to correct skill gaps and maximize staff productivity and effectiveness through training. To maximize this investment, we are reviewing and updating our training curriculum to address organizational, behavioral, and technical needs of our staff. Other efforts to enhance our human capital profile include re-energizing and modernizing our recruitment and college relations programs, enhancing our performance rewards program to help ensure our ability to attract and retain high quality staff with specialized skills, and reshaping our succession planning program.

Information Technology

During fiscal year 1999, we replaced obsolete hardware and software agency-wide to help ensure the efficiency and effectiveness in our operations and enhance our productivity. In addition, we took steps to stabilize and improve the responsiveness of our network. Also, to help ensure continuity of our business operations and services to the Congress, we focused resources on ensuring that our mission critical systems were Y2K compliant and crafting necessary business continuity and contingency and “Day-One” plans.

Now that the Y2K challenge has been successfully met, we must begin addressing other technological issues--not just ensuring that we have a stable and responsive system. We need to put enabling technology in the hands of our staff so that we can be more efficient, effective, and timely in responding to the needs of the Congress. We are planning to conduct a comprehensive review of our information technology in fiscal year 2000 to identify additional opportunities to increase our efficiency, effectiveness, and productivity. In addition, for fiscal year 2001, we plan to upgrade our network software and information technology systems that support our assignment tracking process and disaster recovery capability.

Job Processes

Several changes already have been made to our job processes that have expanded the use of risk-based approaches to managing our jobs and products, while reducing administrative burdens and ensuring involvement of all subject and technical experts. For example, two new forums were established for management to review all new requests and the progress of ongoing jobs. A weekly Engagement Acceptance Meeting involving top management was created to review all new congressional requests, mandates, and division proposals for research and development assignments to determine if the work should be done, which skills are needed to do the work, and, based on risk, the appropriate level of involvement by the Office of the Comptroller General. We believe that this approach will reduce the levels of review and streamline the job process to improve the timeliness of our engagements and related products. Subsequent to the Engagement Acceptance Meeting, biweekly Engagement Review Meetings are held to discuss progress on high/medium risk assignments and upcoming reports for each operating division. Another initiative that has contributed to enhancing our job processes includes our strategic planning effort, which has led to the identification of four strategic goals and 21 related strategic objectives to help us better support the Congress as it serves the needs of the American people. Other efforts are underway to further review our job processes with the goal of expanding the use of matrix and risk management principles in order to increase our institutional timeliness, efficiency, capacity, flexibility, and impact.

Organizational Changes

During this past year, we merged our Offices of Policy and the Assistant Comptroller General for Planning and Reporting into an Office of Quality and Risk Management. This new office was established to ensure that our work effectively and efficiently supports the Congress, and meets professional standards and our core values. It also will focus additional attention on quality assurance and risk management involving our products, and to improve our job processes. In addition, the management responsibilities of our field operations was moved from the Office of the Assistant Comptroller General for Operations to a new Assistant Comptroller General for Field Operations. This new position was created to ensure that our field offices and their employees are effectively represented at the executive level and to strengthen field office representation, communication, and participation within the organization.

Other initiatives are underway to realign our headquarters and field office organizational structures in order to support our strategic plan and improve GAO's efficiency, effectiveness, and flexibility. We plan to announce decisions on our headquarters realignment, field office restructuring, and related decisions this week, with implementation occurring over a reasonable timeframe. We will implement these realignments within our existing resource levels. However, as outlined below, we will be seeking your support and assistance in getting legislation enacted that will better enable us to efficiently and effectively manage our human capital within existing FTE allocations and constrained financial resource levels.

LEGISLATION NEEDED TO HELP INCREASE GAO'S EFFICIENCY AND EFFECTIVENESS

As noted above, we plan to address many of the human capital imbalances identified above through management improvement initiatives rather than by requesting additional FTEs. However, to facilitate implementing our human capital initiatives and effectuate the needed realignment of the agency, we will be seeking legislative authority that will provide additional flexibility in managing our human capital. This additional flexibility is critical in order to ensure

that GAO is in a position to effectively serve the Congress in the future and minimize the need to request additional financial resources or FTE's.

The legislation we are seeking would authorize us to offer early-outs to selected individuals. This authority contrasts with Office of Personnel Management rules in which early-out offers can be made only to groups of similarly situated employees in a downsizing or major reorganization. The legislation also would provide relief from applying certain reduction-in-force provisions that could result in an even more unbalanced workforce than exists today and a consequent, detrimental impact on our ability to serve the Congress. Also, to provide us greater ability to attract and retain technical talent, we will be seeking authority comparable to that of the executive branch to compensate selected scientific and technical staff at senior executive pay levels. We would use such authority, if granted, sparingly to address specific targeted needs, such as information technology specialists and actuaries. We will shortly be sending you and other appropriate congressional committees a letter requesting the legislative authority discussed above.

FISCAL YEAR 2001 BUDGET REQUEST

For fiscal year 2001, we are requesting \$402,918,000 in budget authority to permit us to maintain current operations while we continue to realign the organization to better serve the Congress. We are not seeking additional full-time equivalent staff.

Our funding level increase will provide for the following:

- \$16,264,000 to cover mandatory pay and benefits costs resulting primarily from federal cost-of-living and locality pay adjustments (based on Office of Management and Budget guidance), increased participation in the FERS retirement system, and an increase in the estimated number of retirees; and

- \$1,082,000 to cover uncontrollable price-level increases in transportation, lodging, printing, supplies, contracts, and other essential mission support services, based on OMB's 2-percent inflation index.

We also plan to continue the initiatives we began in fiscal year 2000 to restructure the agency to support our goals of improving service to the Congress. These initiatives include realigning organizations to increase our flexibility and support broader and more diverse issues and objectives, reengineering work processes, and making further technological advances to maximize our responsiveness to congressional needs. The requested increase for these changes includes:

- \$776,000 to increase funding for our performance rewards and recognition program to pre-downsizing per capita level, and to achieve more comparability between GAO and the executive branch compensation systems to help ensure our ability to retain, attract and reward high quality staff based on their skills and performance;
- \$1,500,000 for organizational, behavioral, and technological training, to increase our staff productivity and effectiveness; to support the draft strategic plan; and to address skills gaps identified in the planned skills inventory;
- \$250,000 to reengineer our non-evaluator performance appraisal system to incorporate best practices. Performance appraisal systems are a key component in assessing employee strengths and weaknesses, training needs, and rewards and recognition; and
- \$2,485,000 to upgrade network software used to carry out our work processes to the support the Congress and to revamp information technology systems that support the engagement tracking process and disaster recovery facility. The network currently operates Windows 95 and MS Office 97 as the primary operating and applications software. In order to maintain vendor support and upgrades, we need to upgrade to the current versions, Windows 2000 and Office 2000. Our assignment tracking system was developed in-house over 2 decades ago and is obsolete and incapable of interfacing with

its network environment. Also, as the next stage in the disaster recovery planning process, we need to implement a solution that ensures our network data can be archived and retrieved at alternate sites to ensure timely accessibility in the event of disaster.

As in prior years, we are requesting authority to use anticipated revenue from audit work at the Federal Deposit Insurance Corporation and rental income from our future building tenant, the Army Corps of Engineers, to continue asbestos removal and offset building renovations and maintenance costs. Also, due to diminished value over the last 10 years, we are seeking a nominal increase in the amount authorized for representation expenses of the Comptroller General to adjust for inflation and accommodate a higher volume of strategic planning and engagement execution meetings with heads of audit agencies from other countries.

CONCLUSIONS

GAO is a professional services organization and the leading accountability organization in the United States and, possibly, the world. As the nation's leading accountability organization, we should lead by example and be world class at everything we do.

However, to effectively fulfill the responsibilities this leadership position demands, both now and in the future, we need to address the challenges that I discussed today. We will implement many of our initiatives to address these challenges without requesting additional FTEs or financial resources beyond inflation. However, we need the assistance and support of this Committee in getting legislation enacted that will provide us the flexibility we need to better manage our human capital. Otherwise, we will be at risk of not being able to effectively serve the Congress in future years.

This concludes my statement. I would be please to answer any questions the Members of the Subcommittee may have.