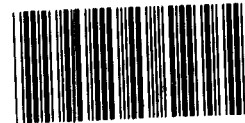


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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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WEDNESDAY, FEBRUARY 29, 1984

STATEMENT OF  
CHARLES A. BOWSER  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE  
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION  
AND GOVERNMENT PROCESSES,  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ON  
OVERSIGHT OF THE GENERAL ACCOUNTING OFFICE



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Mr. Chairman and Members of the Subcommittee

I am pleased to appear before you today to discuss with you the operations of the General Accounting Office. This hearing provides us a useful opportunity to discuss with you the work we have been doing and the organizational changes we have made to better enable GAO to focus on improving the efficiency and effectiveness of the federal government and in the process, help reduce the growing federal deficit. The hearing also provides me, as Comptroller General, an opportunity to receive first hand feedback on how well the Congress thinks GAO is doing. We at GAO are very appreciative of the support that you have provided us over the years in our efforts to identify and reduce waste and inefficiency in government operations.

FISCAL YEAR 1983 ACCOMPLISHMENTS

My appearance here today coincides with the publication of our Annual Report for fiscal year 1983. The report tabulates the measurable savings resulting from actions taken in fiscal year 1983 on GAO recommendations and provides insights on other benefits that cannot be measured. It makes clear how GAO assists the Congress in eliminating government waste and inefficiency.

In fiscal year 1983, we identified almost \$4.5 billion in measurable financial benefits which resulted from actions taken by the Congress or federal agencies in response to GAO's work. This equaled 17.7 times the amount appropriated to GAO. As shown on Exhibit I a large portion of these savings were identified in Department of Defense programs. This reflects the increased emphasis GAO is placing on DOD and its increasing budget.

As large as the savings are, they are conservatively computed.

For example, where multi-year savings result from GAO recommendations, we include only the average benefits realized for 1 year.

GAO's work often raises questions concerning the cost-effectiveness of programs or activities. This can lead to the termination of programs by the Congress. [ During fiscal year 1983, we identified 10 federal programs or activities which were terminated as a result of GAO's reviews for a savings of \$642 million.

In addition, many GAO recommendations improve the effectiveness of federal operations in ways that cannot be measured. For example, GAO's analysis of plans submitted by the Department of Energy for handling energy emergencies revealed major problems to be resolved before the Strategic Petroleum Reserve and the Executive Manpower Reserve can be used. GAO also reported on the authority for coping with oil emergencies pointing out that it was derived from a patchwork quilt of statutes and that certain gaps existed. GAO's findings led to congressional hearings and proposed legislation directed at improving the nation's ability to respond to an oil supply disruption.

GAO's support to the Congress is pervasive and frequent. We issued 755 reports to the Congress, its committees, and members, and to federal agency officials. Additionally, we testified 154 times before congressional committees, provided legal opinions and legislative interpretations 408 times, and assisted the Congress in many other ways. I think you will agree after reviewing our annual report that GAO's contributions, as an agency of the Congress, were again significant in controlling the size of government while improving its efficiency and effectiveness. [ In an effort to meet new challenges, GAO has been making some important changes.

## ORGANIZATIONAL CHANGES IN THE GAO

I would like to highlight some of the organizational changes I have made to increase GAO's ability to serve the Congress and the American people. I believe the changes will provide GAO the right structure to focus on agencies and their programs, facilitate teamwork within GAO, and utilize scarce specialized skills in areas of greatest need.

--Assistant Comptrollers General for Planning and Reporting and for Operations were designated to concentrate top management attention to these areas vital to effective GAO operations. Similar positions were created in each division and region to focus attention on these areas throughout GAO.

--An Assistant Comptroller General for Human Resources was named to direct the activities of the Personnel Office, the Personnel Systems Development Project, and the Office of Organization and Human Development.

--The Information Management and Technology Division was established to evaluate the application of information management resources, including computers and related systems in federal agency operations; to determine the overall effectiveness with which government is dealing with this burgeoning technology; and to spearhead the training of GAO staff in related areas. Greater GAO attention to these areas is needed because of their importance to government operations and the size of federal expenditures.

--The National Security and International Affairs Division consolidated responsibilities previously shared by four GAO

divisions. This newly established division will assure the concentrated focus of GAO work in defense related and international areas. It will respond to Congress' concern whether the large military buildups are managed efficiently and effectively.

--The Resources, Community and Economic Development Division was formed, consolidating in one division functions previously performed by the Energy and Minerals Division and the Community and Economic Development Division. This will enable us to better focus our efforts in these areas.

--The Accounting and Financial Management Division was restructured to foster the development of a comprehensive financial management system; to better focus GAO's resources to address accounting and auditing policies and practices; and to review achievements of federal agencies in fulfillment of the requirements of the Federal Manager's Financial Integrity Act of 1982.

--The Office of Chief Economist was established to concentrate and focus GAO's resources on important economic issues and to provide a central resource to the Office in support of the economic analyses performed by GAO audit and evaluation divisions.

--The Office of Quality Assurance was established to implement the recommendations of the Comptroller General's Reports Task Force and to assure continuing day-to-day emphasis on job and report quality and timeliness.

--The Program Evaluation and Methodology Division--formally the Institute for Program Evaluation-- was refocused to

emphasize the importance of evaluation work and of assistance to other GAO divisions in program evaluation and to spearhead the training of GAO staff in related areas.

--To emphasize the common purpose of headquarters divisions and regional offices, the Field Operations Division was abolished. Regional Managers, as the representatives of the Comptroller General in their respective regions, now report directly to the Office of the Comptroller General.

These changes complete our planned organizational realignments. They will, I believe, provide a firm basis for effective GAO operations in the years to come.

#### REDUCING THE FEDERAL DEFICIT BY IMPROVING GOVERNMENT OPERATIONS

There is no problem I consider more important than the need to eliminate waste and inefficiency in government operations. Success in that area can be a significant factor in minimizing the federal deficit. I know you share this view. In that light I'd like to take a few minutes to bring you up-to-date on work GAO has done in the past and work we are presently doing with your Subcommittee to achieve that objective.

#### Sharing Medical Resources

In May 1982, the Congress enacted Public Law 97-174, the Veteran's Administration and Department of Defense Health Resources Sharing and Emergency Operations Act. This legislation enhances VA's and DOD's ability to share their vast medical resources as they provide peacetime medical care to their beneficiaries. It also gives VA a mandate to assist DOD in planning for and providing care to U.S. servicemen and women who receive wartime wounds and injuries. The act embodies several legislative recommendations GAO made in 1978 after a series of studies of the peacetime uses of federal medical

facilities and again in 1980 after our study of DOD's plans for a civilian/ military contingency hospital system.

Mr. Chairman, in July 1980 we testified before this Subcommittee on our recommendations and for nearly 2 years we worked closely with your office as hearings were held by the authorizing committees of both houses. This legislation is, I believe, a good example of the results achievable when the Congress, GAO, and the executive branch work together toward a common goal.

The agencies' full implementation of the act should greatly enhance the care available to federal beneficiaries both during peace time and in a military contingency. It should also save millions of dollars for the American taxpayer who pays the bill for constructing, equipping, and staffing two of the nation's largest health care systems.

Since the act's passage, DOD and VA have done much to establish a sound foundation throughout the country for increased cooperation among federal medical facilities. These efforts are beginning to pay off. For example, in North Chicago, sharing agreements involving savings of more than \$400,000 annually have been established between the Great Lakes Naval Hospital and the North Chicago VA Medical Center. These agreements and savings are shown on Exhibit II. Among the agreements is one involving a joint VA/Navy acquisition of a \$1.3 million computerized tomography scanner. Several additional agreements are pending between the two facilities. As you recall, we performed a study at your request and made several suggestions, which you pursued, for increased sharing of services by these two federal hospitals.

This story cannot end here, however, as much remains to be done to achieve full potential of sharing among federal medical facilities. VA and DOD will provide the Congress a required status report shortly on their implementation of the medical resource sharing legislation. We plan to assess the report and revisit this issue periodically to check the progress being made to achieve the act's objectives and, where necessary, to recommend further improvements.

#### Improving Federal Debt Collection

In another important area, we worked with you to recover money owed the Government, thus reducing the federal need to borrow and incur interest expenses. The Debt Collection Act of 1982 that you sponsored, Mr. Chairman, was the culmination of combined work by GAO, the Administration, and the Congress to strengthen and increase the efficiency of Government-wide efforts to collect debts owed to the United States. As a result, OMB has reported that in fiscal years 1982 and 1983 a total of over \$4 billion in increased collections has been realized. (Exhibit III). Further, based on work done at six agencies, GAO reported in April 1983 that the increased focus on debt collections had significantly strengthened collection practices.

The act provides many of the collection tools and techniques long available in the private sector but which had previously been unavailable to government agencies. To give you just a few examples, delinquent government debts can now be reported to consumer reporting agencies and made part of the debtor's credit history. Contracts with commercial collection agencies are now permissible and, for the first time, general government debts (e.g., a delinquent student



loan) can be offset against the salary of government employees. There are also what might be termed "preventive" measures. For example, agencies which make federal loans can now find out from the Internal Revenue Service whether loan applicants have delinquent tax accounts--information which is extremely useful in determining the credit-worthiness of the applicant.

Although these are strides in the right direction, continuing congressional, GAO, and OMB involvement is imperative to ensure that efforts underway and planned are successfully implemented.

In a related study, we are presently conducting a comprehensive review of the collection of criminal fines at your request. About one-third of all criminal penalties include the imposition of fines. According to the Justice Department, there are about \$132 million in outstanding criminal fines. Exhibit IV shows the fines imposed and collected for FY 1981 and FY 1982. Legislation, which you introduced, when enacted, would call for a new criminal offense for willful non-payment of a fine, authorize the Justice Department to obtain automatic tax-type liens on property owned by criminals and would set with, some exceptions, a 2 year limit on court ordered installment payment schedules.

#### Improving Federal Financial Management

In another area where we share substantial interest and concern--the federal government's financial management structure--much needs to be done. In December 1982, I testified before this Subcommittee on weaknesses in internal financial controls in federal agencies' accounting systems. My testimony covered a number of points.

Our reviews of internal controls of federal agency field offices in 11 agencies identified a pattern of weaknesses in all major

aspects of accounting--recording receivables and obligations, collecting debts, and making disbursements. Additional reviews have been completed at 9 other agencies where we continued to identify these weaknesses. Our more comprehensive reviews of agencies' central accounting systems and sub-systems identified other significant problems. For example:

--The Bureau of Indian Affairs lost control over its accountability for hundreds of millions of dollars of grant, contract, and trust funds made available to improve the livelihood of Indian people.

--The Department of Treasury's deficient internal controls over payments to replace duplicate and forged government checks resulted in uncollectible receivables of about \$40 million between 1980 and 1983. Also, we identified poor controls over unissued savings bond stock as well as poor procedures on the sale of savings bonds. I am pleased to report that the attention called to this area by this Subcommittee caused the Treasury to reevaluate its initially negative reaction to our report. Treasury has provided us with additional comments that were very positive. It has implemented or has agreed to consider most of our recommendations.

Also, we discussed with this Subcommittee the high risk for making fraudulent payments at the Department of Agriculture's National Finance Center. With the concurrence of top departmental officials, we were able to process 10 bogus vouchers through that center causing payments to be made without being detected. We were advised that this system too has been improved and that the high risk for loss no longer exists.

Effective implementation of the Federal Manager's Financial Integrity Act of 1982, which you, Mr. Chairman, co-sponsored, should significantly help to reduce these problems. The act made clear the emphasis that Congress is placing on improving management and internal controls used by federal agencies. GAO is well situated to make significant contributions to effective implementation of the act and to assist the Congress in its oversight. The act involves an area of long standing GAO emphasis. It provides an important vehicle to get needed improvements in federal agency management. Present GAO work in this area now encompasses the 20 largest federal departments and agencies. While GAO's longer-range approach to financial integrity objectives is now being developed, it is clear that GAO audits and evaluations are needed to help the Congress and executive agencies achieve financial integrity objectives.

The Federal Manager's Financial Integrity Act of 1982 represents an important step toward improving the federal government's financial management structure. In my opinion, the federal government needs to embark on a major effort to rebuild its entire financial management structure. Many federal systems employ outdated automated equipment and are not designed to provide the information needed by managers, policy officials, and the Congress. Later this year we will issue a report detailing the need for a major overhaul and identifying some of the most important elements of a new system.

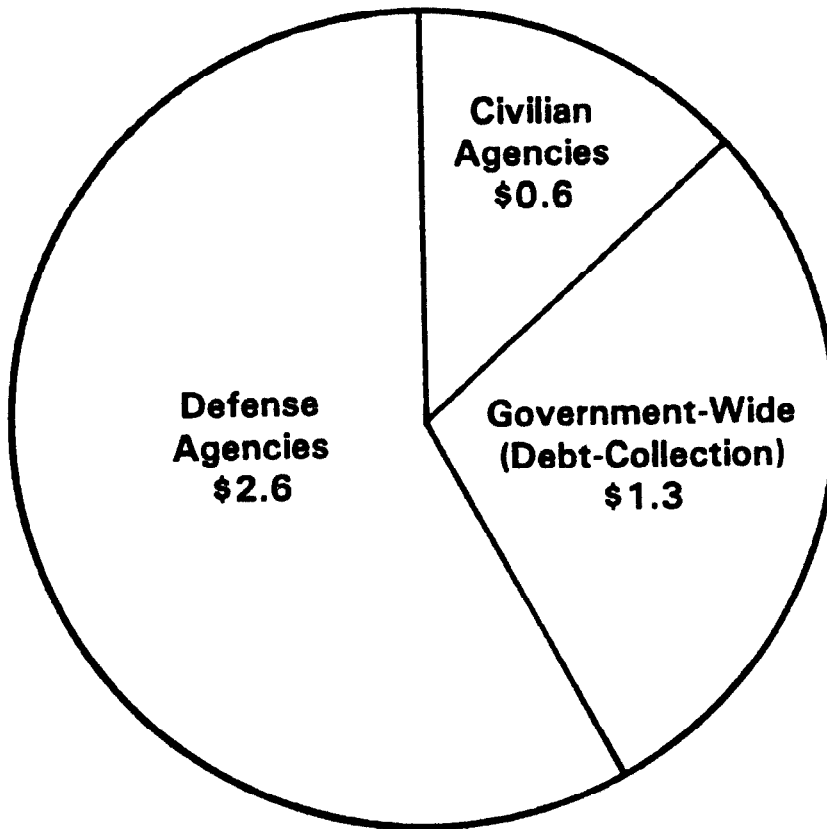
#### CONCLUSION

Massive present and projected federal deficits provide a strong impetus to assure that government operations are not made unnecessarily costly through waste and inefficiency. GAO is fully aware that it must play an important role as an arm of the Congress to

identify such problems and to help correct them. Our experience with this Subcommittee demonstrates how an effective working relationship can yield substantial and tangible benefits. GAO continues to be available to assist this Subcommittee and the rest of the Congress to help make government work better at less cost.

# GAO Measurable Savings FY 1983

(Billions)



**Total \$4.5**

# SHARED FEDERAL MEDICAL SERVICES IN NORTH CHICAGO, ILLINOIS

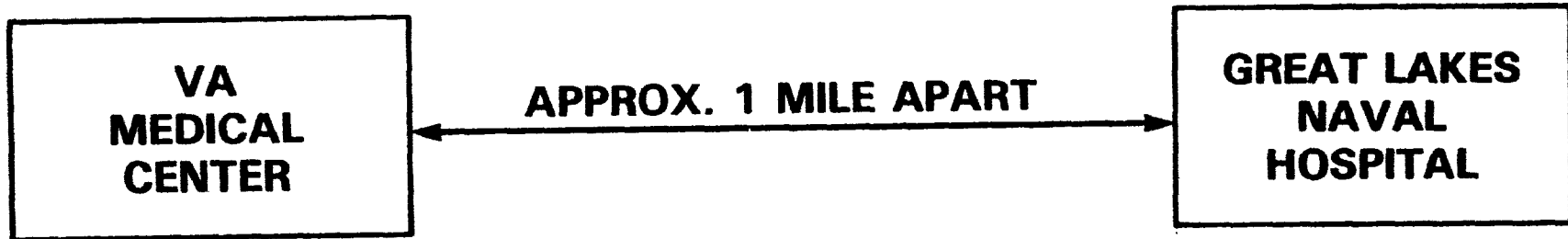


EXHIBIT 11

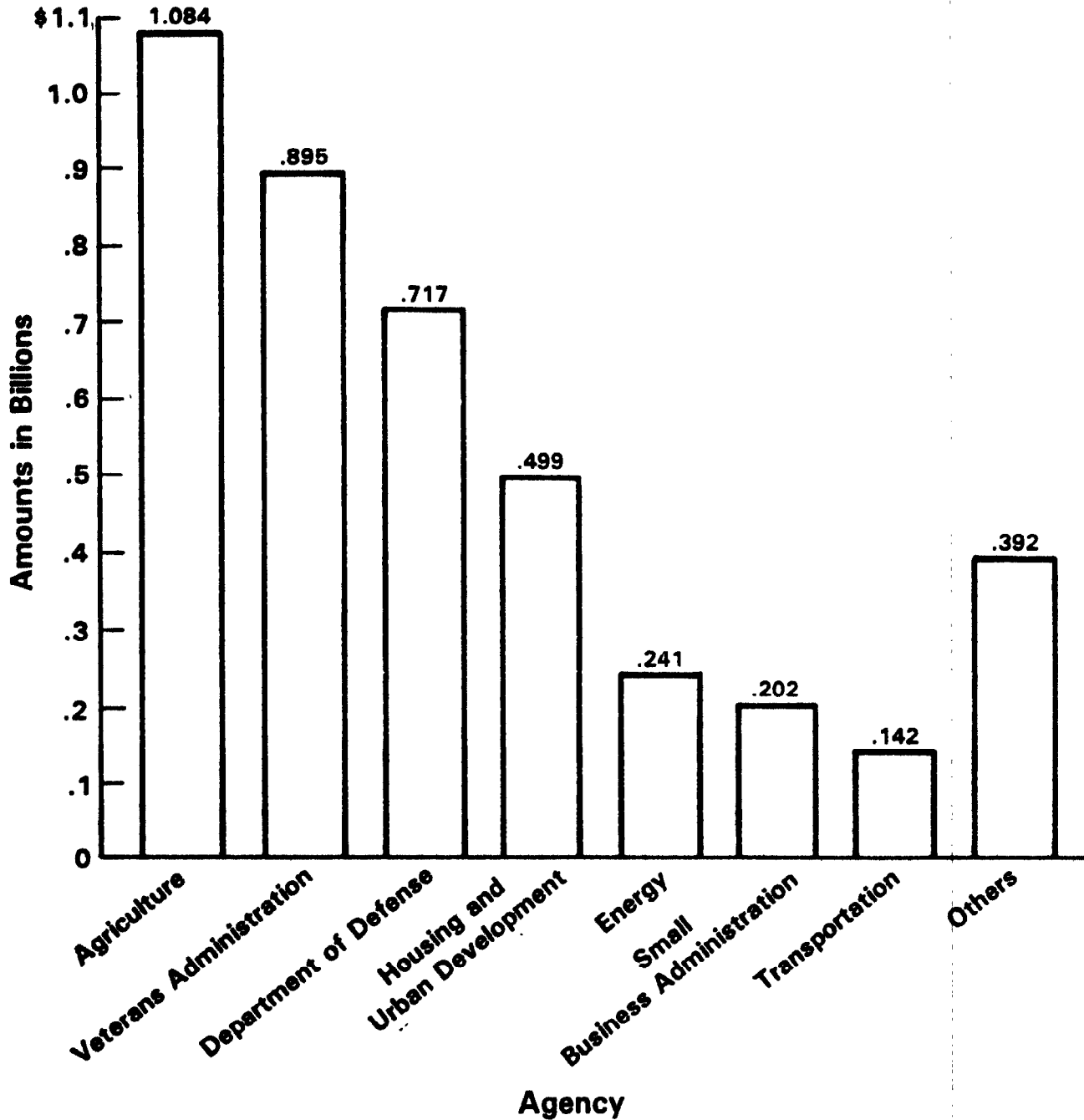
## CURRENT ANNUAL SAVINGS

• RADIATION THERAPY	\$153,200
• GASTROENTOLOGY SERVICES	34,000
• CAT SCANS	210,000
• LAB TESTS	31,500
<b>TOTAL SAVINGS</b>	<b><u><u>\$428,700</u></u></b>

# Increase in Federal Debt Collections<sup>1/</sup>

## Fiscal Years 1982 and 1983

(Total Collections \$4.172 Billions)

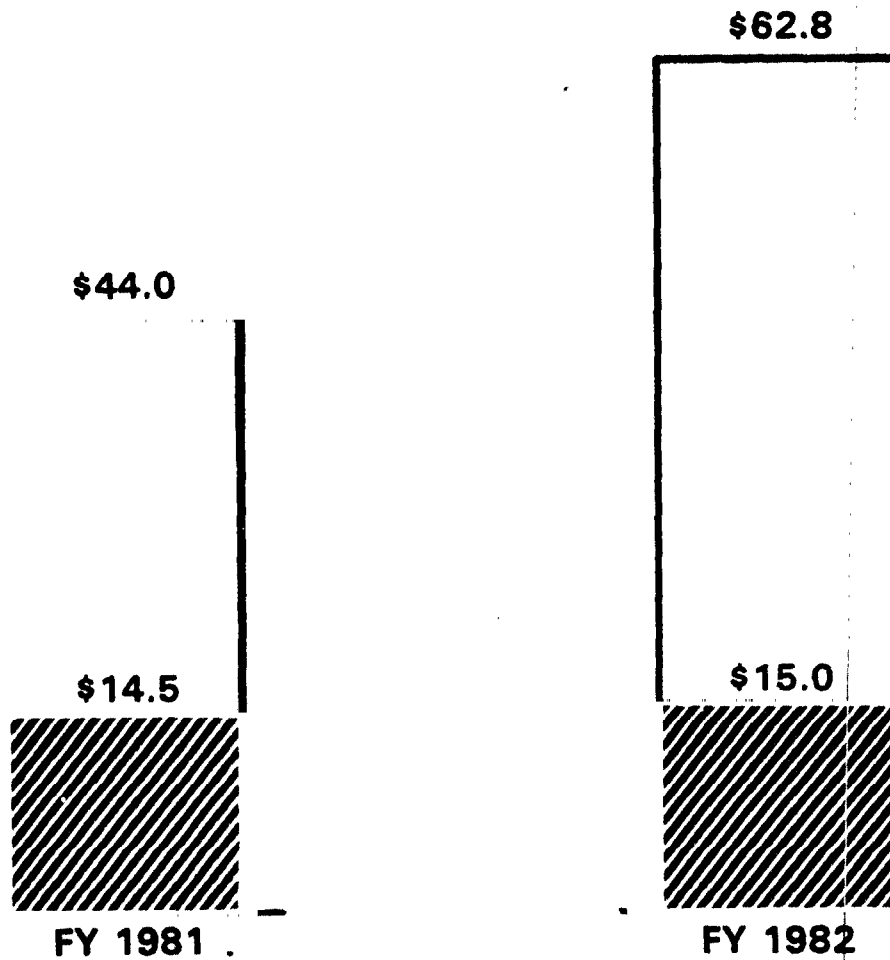


<sup>1/</sup>Excludes Delinquent Tax Debt Collections

EXHIBIT IV

# Criminal Fines Imposed and Collected<sup>1/</sup>

(Millions)



Key:

 Collected

<sup>1/</sup>According to the Justice Department



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