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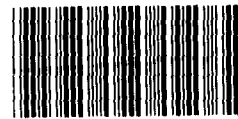
Testimony

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Fiscal Year 1988 Budget Estimates for the
General Accounting Office

Statement of
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Comptroller General of the United States

Before the
Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate



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Mr. Chairman and Members of the Subcommittee:

I am pleased to discuss GAO's budget request for fiscal year 1988. The Justification of Estimates for that year, which you already have, describes our request in detail.

We are requesting \$379.5 million to fund 5,200 average positions. This funding level is \$67.1 million greater than our fiscal year 1987 requirement. Forty-seven percent of this increase represents mandatory pay and related costs and price-level changes associated with existing levels of service. The requested staffing level which will increase our personnel by 100 average positions, is another step toward achieving the 5,500 average position level required to fulfill GAO's responsibilities.

GAO's work--seeking ways to improve the processes and effectiveness of government programs--will become increasingly important as the Congress looks for ways to maintain the effectiveness of government programs while meeting the goals of the ~~/~~Balanced Budget and Emergency Deficit Control Act of 1985~~/~~. Given the necessary resources, I believe we can continue to respond to congressional needs with high-quality, timely work on which the Congress can continue to rely in making difficult decisions.

FISCAL YEAR 1986 - A PRODUCTIVE YEAR

1986 brought new challenges to GAO. We attained measurable savings of \$18 billion which is the highest in GAO's history; we testified before the committees of the Congress 197 times which was more than in any prior year; we directly assisted the committees and members of the Congress more than ever before, and met the demands of the Gramm-Rudman-Hollings legislation. GAO helped to gather information and analyze data on issues ranging from aid to Central America to Social Security programs, from tax policies to the cost of national defense, and from aviation safety to the national deficit. In fiscal year 1986 we issued 850 reports, 671 of which were requested by committees and members of the Congress.

I would like to discuss a few highlights from GAO's work on issues of special significance during 1986. While these issues represent only a small part of GAO's work, they serve to underline the wide range of questions facing the Congress and the extent to which GAO is committed to helping find the answers.

Deficit Reduction

On December 12, 1985, the President signed the Balanced Budget and Emergency Deficit Control Act of 1985. The Act included a central role for GAO. Based on our review of the joint report from the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO), we were to estimate the size of the deficit and the reduction needed to reach the target.

We were then to allocate that reduction among budget accounts in accordance with the procedures in the Act. The President was required to implement our allocations without change.

In accordance with the Act, we issued our first report cutting \$11.7 billion (GAO/OCG-86-1) on January 21, 1986, 6 days after receiving the OMB/CBO report and less than 6 weeks after enactment of the law. Our report made several technical changes to the OMB/CBO report, one of which was to apply the sequester process to the \$6.3 billion of defense unobligated balances that OMB and CBO had exempted.

Our next statutory obligation was to issue our compliance report (GAO/OCG-86-2). We did this on March 31, 1986, 1 day before it was required. In reviewing the President's sequester order, we concluded that the intent of the Act had been achieved at the budget account level but that widespread confusion existed among the agencies in applying the reductions to individual programs, projects, and activities.

During the spring and summer of 1986, we responded to various requests from members of Congress that involved the way the Act was interpreted or implemented. For example, on June 30, 1986, we responded to Speaker O'Neill's request for a special review of how the Act was implemented in relation to several programs. Our report (GAO/OCG-86-3) contended that, despite numerous variations and with minor exceptions involving certain special funds, the reductions generally had been implemented in accordance with the Act.

While this work was being performed, the constitutionality of the Act was being challenged in court. On July 7, 1986, the Supreme Court ruled that the Constitution did not permit GAO, as a legislative branch agency, to direct the President to make specific budget cuts. With this ruling, the Congress reverted to what is called the "fallback" mechanism, under which it must enact and present to the President for signature the sequestration required to meet each year's deficit target.

GAO has no statutory role in implementing the fallback mechanism but was requested by Chairman Brooks to review the OMB/CBO report. We did so and reported our results on September 4, 1986 (GAO/OCG-86-4). We found several areas where we disagreed with the OMB/CBO report and we concluded, using the specific estimating rules in the Act, that the actual 1987 deficit would be about \$4 billion higher than the average of the deficits predicted by the other two agencies. We also expressed our concern that the FY 1987 deficit might be considerably higher than the maximum amount of \$154 billion permitted by the legislation. The January 1987 reports of OMB and CBO now indicate that the deficit will be almost \$175 billion in 1987.

With the Supreme Court's decision in July, the only statutory role remaining for GAO is to review any sequester order that may be issued for compliance with the Act. No such order was issued for 1987.

We remain ready to respond to specific requests for further work under the Act as well as to carry out our responsibilities under Title VIII of the ~~Congressional Budget Act~~. We continue to monitor the budget situation, both tracking the estimates and reviewing individual budget proposals in response to requests from authorizing and appropriations committees.

High Cost of National Defense

GAO spent over one-fourth of its resources in fiscal year 1986 on defense-related work in support of congressional efforts to control defense spending without weakening the nation's military strength. Our work focused on the three key areas targeted by congressional committees: defense budget submissions, acquisition practices, and weapon systems programs. We also reviewed other national security issues, ranging from chemical warfare to the Strategic Defense Initiative to civilian space programs. Our defense audit and evaluation work resulted in almost \$10.4 billion in measurable benefits to the taxpayer.

Assessing the Safety Issues of Nuclear Energy

The Chernobyl nuclear power plant disaster served to intensify international debate over the wisdom of developing atomic energy. GAO was able to assist the Congress by analyzing critical issues--such as the potential for serious nuclear accidents; the dangers involved in disposing of radioactive wastes; and the effectiveness of government regulation of nuclear

wastes; and the effectiveness of government regulation of nuclear power plants--and offering recommendations for strengthening safeguards against nuclear disasters.

Exploring the Crisis of Farm Credit

GAO identified and reported on problems faced by the major institutions providing farm credit--the Farm Credit System, agricultural banks, and the Farmers Home Administration--as they tried to respond to the farmers' financial difficulties. Our work resulted in early disclosure of financial problems, particularly in regard to the Farm Credit System and the Farmers Home Administration that were confirmed in later reports by these institutions. Our work provided a catalyst that caused officials in these institutions to re-examine their policies in the face of a worsening crisis.

Assessing Effectiveness of Controls on Foreign Aid

During 1986, GAO continued to provide analyses of programs that administered foreign assistance to ascertain whether appropriate controls were in place to avoid diversion or misuse of funds. In response to a congressional request, GAO monitored the possible misuse of U.S. humanitarian aid to the Nicaraguan Contras. On the basis of this review, GAO testified that the State Department could not ensure that these funds were being used for their intended purpose because program managers had difficulty gaining access to the necessary field locations due to

the political climate. We also sent a team to the Philippines to examine existing controls over U.S aid and found it difficult to trace use of the aid because the funds were commingled with other receipts in the country's general fund.

Many questions still remain about how much control over foreign aid is appropriate and practical, considering the economic, political, and security objectives of both the United States and the recipient countries. GAO's reviews of foreign military sales credits will further explore the intended and actual uses of U.S. aid and the effectiveness of foreign aid controls.

Managing the Government's Finances

GAO is leading efforts to determine if the government's financial and other management systems are providing reliable and timely information and if management controls are effectively providing a sound foundation for a well-managed government. We are advocating major changes in the financial management structure of the federal government, and we have started working on a system for producing meaningful financial statements. Further, we surveyed users of government financial information to produce the Federal Government Reporting Study with our Canadian counterpart, the Office of the Auditor General. This report contains prototypes of government financial reports for the United States and Canada. We also increased the number of financial audits of other governmental entities to identify ways

financial reporting.

Reviewing General Management of Federal Agencies

We continued to conduct general management reviews of federal agencies to identify ways to increase their efficiency and effectiveness. Fiscal year 1986 marked the first year that we saw the potential accomplishments of this initiative. A follow-up review at the Department of Labor found that Labor has made excellent progress in beginning to implement GAO's recommendations. There, strong departmental leadership has established Department-wide goals and a management system that provides a framework for strategic planning, operational management, and good accountability. The completed reviews at the Labor and Justice Departments and the Defense Logistics Agency also contributed to agency oversight conducted by the House Appropriations and Government Operations Committees, and the Senate Appropriations and Governmental Affairs Committees, and several authorizing committees.

GAO's work during the past year has focused on significant national issues facing the Congress. Our work has been more responsive to congressional needs than ever before, and we expect to see an increased demand over the next several years for providing the Congress with important insights into federal programs and issues. GAO needs to be in as strong a position as possible to provide the Congress with the assistance and support it needs to deal with these issues.

1988 REQUEST

Currently we are operating with fewer resources than we need to handle our large congressional workload. This was not always the case. In 1981, only 40 percent of our resources were devoted to direct congressional assistance. That percentage grew to 79 percent in 1986. The current figure is over 80 percent.

We plan our work around 36 areas of interest. In many of these areas, almost 100 percent of our resources are being used on congressional request work; other areas are at the 80- and 90-percent levels. We have strengthened our planning process to ensure that our scarce resources are well allocated, and we have undertaken several initiatives to streamline our operations and make more efficient and effective use of our resources. These continuing efforts will make additional resources available for use on congressional request work. However, we do not expect that these efforts will entirely satisfy the growing demands. I am concerned that we will soon reach a point where we will not have the flexibility needed to respond properly to priority congressional requests. Given our current congressional request workload and the continuing trend for that work to increase it is becoming more critical that we bring our staffing to the 5,500 level in order to properly meet the demands being placed upon us. By beginning with an additional 100 staff in FY 1988 and gradually working toward the 5,500 level I am confident that we can support the Congress in a timely and effective way.

Last year I stressed that a strong, well-staffed GAO would be one of the most important assets the Congress could have for making the difficult decisions necessary for reducing the federal budget. I believe our record in fiscal year 1986 supports this statement and we very much appreciate this committee's support.

I believe that continued support by the committee and the Congress will lead to similar successes in this and future years. GAO's role in identifying areas where government can be improved and substantial savings can be realized should continue to be very important to the Congress as it wrestles with how to achieve the savings necessary to meet deficit reduction targets.

Accordingly, the additional 100 average positions which we have requested for FY 1988 will be used in areas with strong congressional interest.

--40 in the defense areas to respond to steadily increasing congressional concerns about a significantly increasing defense budget.

--25 to respond to increasing congressional inquiries on highly complex ADP, telecommunications, and information resources management issues.

--25 for expanding the number of agency financial audits and to promote the development and maintenance of accounting and internal control systems that produce complete, reliable, and timely information on operations results for use by agency and congressional decisionmakers.

--10 to respond to strong congressional interest about the

soundness of the financial services industry and about the insurance industry's alleged profitability crisis and its emerging role as a major financial intermediary competing with banks and securities firms to provide financial services.

As I said at the beginning of my statement, 47 percent of the additional funding requested for fiscal year 1988 is to meet mandatory pay and related costs and price-level changes. Most of these cost increases result from legal requirements and other federal agency billings over which GAO has minimal control.

We have taken several actions to adjust our staff resources to the maximum extent possible to accommodate new requirements. We absorbed the requirements placed upon us by Gramm-Rudman and by the ~~Competition in Contracting Act~~, and we have established a special unit to handle some of the more difficult investigative work we are increasingly being required to do. During 1986, 35 pieces of new legislation or committee reports requiring GAO to perform some review and evaluation function were approved by the Congress. We have absorbed increased workload with our 1987 staffing levels that covered major national issues such as immigration, tax reform, new drug programs, the Iran/Contra Aid issue, and work related to the Securities and Exchange Commission's Boesky Affair. I am concerned that we have reached the point in absorbing increased work where our ability to respond timely is of concern to us. We appreciate the Committee's support in helping us obtain the resources necessary

to meet demands being placed upon us.

In the area of Program Increases, we are seeking major funding support to implement our new 5-year Information Resources Management Plan, Telecommunications initiatives, and our facilities restoration following asbestos removal. The ADP and Telecommunications initiatives are designed to give our staff the tools they need to do their jobs more efficiently and effectively. The facilities restoration is associated with the asbestos removal currently underway in our main building and with mandatory moves of regional offices out of leased space.

ADP Initiatives

Long Range ADP Plan. Completed in fiscal year 1986, GAO's strategic Information Resources Management Plan establishes a 5-year plan to meet the agency's need for information systems and mission support processing. The plan has two broad goals: (1) to integrate GAO's administrative systems through shared data bases and (2) to provide GAO's line staff with consistent office automation support and high-quality, readily accessible computing capacity to execute assignments.

For fiscal year 1988 we plan to build upon work that is being undertaken in fiscal year 1987. GAO is analyzing the software, hardware, and services available at a variety of sites for administrative processing; the most promising of which is the Department of Agriculture's National Finance Center (NFC). GAO is currently investigating the possibility of entering into an

interagency agreement with NFC for the use of its combined Personnel, Payroll, and Time and Attendance (T&A) systems and for hosting additional GAO systems or for joint development of related administrative systems. In addition, GAO will complete the first phase of a shared-resource pilot project to define the mid-range mission support/office automation processor and has planned a second phase to more specifically define headquarters' requirements.

As a preliminary step in GAO's long-range plan, an interim financial management system (FMS) became operational in September 1986. The system is an integrated, on-line, financial system that replaces the many independent systems previously used to process the agency's financial data.

Telecommunications Initiatives

Telecommunications planning is a relatively new activity for GAO and other legislative branch agencies. In fiscal year 1986, this committee directed GAO to work with the Architect of the Capitol and the heads of the other legislative branch agencies to develop an overall plan for satisfying the telecommunications requirements of these agencies. These efforts are intended to produce an effective solution to local voice/data requirements.

Facilities Restoration Program

We are currently developing a long-range plan for facilities modernization that will upgrade our buildings' systems and

reconfigure the space to accommodate office technology. We plan to request funding for this effort next year. For fiscal year 1988, we have requested funding to (1) restore some space in the main GAO building after renovating the heating, ventilation, and air-conditioning systems and removing all asbestos materials and (2) renovate regional offices when they are moved to new locations due to lease expirations.

As you are aware, the General Services Administration (GSA) is renovating the GAO Building's heating, ventilation, and air-conditioning systems and removing all asbestos from the premises. GSA is currently working on half of the 7th floor and half of the 2nd floor of the building. After GSA completes its task of removing the asbestos we are required to reconstruct the space to accommodate staff. In doing so, we are only replacing those items that must be replaced due to the asbestos removal efforts. We are purchasing replacement items that will complement our facilities modernization plans. For example, we are planning to acquire pre-wired modular partitions rather than the basic hard-board type to resolve our cable management problems and will replace standard office furniture, as needed, with systems furniture to use space more efficiently.

Restoring our office space after asbestos removal will be costly, but maintaining a healthy work environment for our employees is essential.

Pay-for-Performance Initiative

There is a matter of personnel administration that I would like to bring to the Committee's attention. We have been examining for a number of years how best to achieve a most highly motivated and productive staff. We have concluded that it would make a lot of sense to institute pay for performance and what we call a broad banding concept to pay the organizational elements of our present system. Under broad banding, we would be able to develop a more cohesive team approach to the work we do without being constrained by hierarchical restrictions of the current general schedule system.

Since additional funds would be required to cover a pay for performance system, I did not want to move ahead on this kind of major undertaking without Congressional support, particularly the support of this Committee. We would not be prepared to implement a new system until fiscal year 1989 at the earliest. However, I felt it important to alert the Committee in advance.

CONCLUSION

GAO has proven its ability to assist the Congress in dealing with the budget deficit and other issues of national importance. Our budget request for 1988 represents the funding necessary to help GAO keep pace with the tremendous increase in congressional workload, provide our staff with the tools necessary to perform work more efficiently and effectively, and safeguard the health and well-being of our staff.