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BUDGETING, ACCOUNTING, PROGRAM ANALYSIS AND AUDITING:
ROLES AND RELATIONSHIPS FOR THE 1980's AND BEYOND

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REMARKS TO THE FALL SYMPOSIUM OF THE
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It is a great pleasure to be here with you this morning as the fall symposium of the American Association for Budget and Program Analysis gets underway. You have some substantial issues to consider during your meeting and hopefully you will leave here today with a deeper understanding of the tasks that lie ahead in improving the workings of the Federal Government.

The need to restore public confidence in government at all levels is a pressing matter confronting all of us today. Strong policy and program decisions, effectively supported by improved financial management and analysis, are crucial if we are to achieve this goal. Given the size and complexity of the government, this is a significant undertaking.

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The Federal Government alone has an annual budget of about \$750 billion and a debt that stands at a trillion dollars. While the Department of Defense gears up to spend perhaps \$1.5 trillion in the next 5 years, other Federal activities and programs are undergoing drastic reductions. We are living in anxious times characterized by significant change in the way in which our government functions. This environment--and many elements that relate to it-- is testing the proficiency of government to manage itself in an efficient and effective manner.

Unquestionably, the time has come for Federal officials to redouble their efforts to better manage their resources and take decisive steps to reduce wasteful spending wherever possible. Decisionmakers in the Government today must give priority to improving their-management systems, and encourage the types of analysis that will help them make hard choices in selecting the programs and activities that are to be reduced, terminated, or expanded. Today, I would like to discuss options that can be exercised to bring this about.

First, it is critically important that we close any existing gaps in the Federal financial management spectrum. We can no longer tolerate having separate and uncoordinated planning, budgeting, program management, accounting, auditing, and evaluation systems. Together they can support policy and program management. As separate and uncoordinated entities, they compound confusion often producing inconsistent and conflicting data that serve only a limited purpose.

Financial management's crucial role is dramatically highlighted from time to time as major cities and corporations, once thought to have almost endless resources, find themselves in severe financial straits partly because of a lack of sound financial management practices. The lessons being learned in some city halls and corporate boardrooms throughout this country should not be lost upon those of us in the Federal Service. We must never lose sight of the fact that we are the keepers of the public purse and--along with the Nation's elected officials--are responsible for the appropriate and practical use of these funds.

I place high priority in the work of the General Accounting Office on breaking down the excessive compartmentalization of analysis and control functions in Federal agencies. I also would hope that in the near future this matter and related financial management issues will be given additional attention in a systematic way by blue-ribbon study groups. The GAO fully supports bills now before the Congress to establish a Commission on More Effective Government, particularly the Roth and Bolling bills. It has been almost a quarter of a century since the last Hoover Commission assessed the administration, role, and effectiveness of the Federal Government. Clearly, it is time for another such commission to undertake a similar assignment. The decade of the 1980's will be one of transition in

governmental processes. In such a policy environment, a well-constituted commission could have a significant impact, and most certainly one of the tasks of such a body would be an examination of the financial management and related functions of the Government.

I also believe there is a need for a high-level budget study group or commission to act as a catalyst for badly needed changes in our budgetary concepts and procedures. Aside from questions pertaining to the congressional budgetary process, these matters were last examined comprehensively in 1967 by the President's Commission on Budget Concepts. Since then, many changes in Government programs have placed severe strains on the capacity of the overall budget system to adequately serve decision-makers.

For example, several important programs are legislatively excluded from the budget, resulting in incomplete budget coverage of about \$20 billion. Furthermore, the growth in entitlements plus the increasing importance of new kinds of Federal activities with economic consequences--such as loan guarantees, and health, safety, and environment regulations--have created new budget control and information problems. Federal officials must establish effective control and credibility in the budget, and restore public confidence in the budget process, if we are to avoid the more extreme alternatives of constitutional or statutory limitations on Federal spending.

In addition, the budget process itself has become encumbered with complicated procedures, paperwork, and measurement complexities that make it difficult for the Congress and the public to use and believe in budget information. Other problems stem from the failure to make more use of cost concepts, sound financial statements, and capital budgeting techniques.

I should note, however, that the Administration's recent action to streamline budget formulation by allowing agencies to depart from stringent zero-base budgeting procedures is a significant step in the right direction. It is important that the remaining problems be examined so that the budget process may be strengthened, its inadequacies overcome, and confidence restored. We also need to keep in mind that not all budgetary problems need to be studied by a commission or study group before action can be taken. We recently issued a report at GAO summarizing our views on needed budgetary changes, and identifying those items that can be acted upon immediately without further study.

This is also a period of transition in congressional procedures, and it is clear that the Congress intends to move in ways which will encourage better financial management in Federal agencies.

Important oversight reform legislation was introduced in the 96th Congress, and reintroduced in this Congress, which would systematize congressional reviews and reauthorizations of Federal programs. The Subcommittee on Legislative Process of the House Committee on Rules is now considering several such proposals, and

I am hopeful that the Congress will take significant steps through legislation or internal rule changes to establish a procedure for more regular and thorough oversight actions. This reform is long overdue. Better oversight of Federal programs would greatly encourage better financial management in Federal agencies. Astute Federal managers will quickly recognize the need to strengthen their financial management practices and develop more coordinated analyses and controls in order to better respond to the Congress' increasing demand for evidence of sound management, efficient operations, and effective program results. The managers who win the increasingly tough authorizing and budget battles may well be those who can demonstrate conclusively that their activities are supported by strong audit, accounting, budget, and analysis functions.

Of particular interest to this audience are the landmark changes underway in the congressional budget process. Increasingly, the Congress is using the budget process as a vehicle for effecting needed policy and management changes. Perhaps this is because budgeting is the one disciplined, regular decisionmaking process that compels action on most programs.

Last year's and this year's budget "reconciliation" showed that the budget arena has been expanded to include regular action by the authorizing committees. If these committees perform in a similar fashion in future years--hopefully in a less compressed schedule permitting more deliberation--they will regularly require analyses and information from Federal agencies on program

matters with potential budgetary impact. This will place additional demands upon the financial management systems of the agencies, but it will be a demand that will have to be met by consolidated program and budget information which I see as an important positive development. It is equally significant that this year's Omnibus Reconciliation Bill contained changes in legislation effecting out-year budgetary amounts. Such foresighted actions, which hopefully will be continued in future congressional reconciliation actions, will require even more sophisticated financial management support by Federal agencies.

The relevance of the congressional budget process for financial management and related activities can also be seen in the actions this year of the House Committee on the Budget in its consideration of the First Concurrent Budget Resolution for Fiscal Year 1982. The Committee began to review potential cost reductions or collections for several administrative activities including:

- delinquent accounts and loans receivable;
- unpaid taxes;
- unresolved audit findings;
- paperwork reduction;
- defense logistical economies;
- defense multi-year contracting;
- full cost recovery for Foreign Military Sales; and
- workforce cost control.

It seems clear that the House Budget Committee and perhaps others involved in the annual budget process will continue to look

at such questions in future years. I think this will have the desired effect in encouraging officials to review their administrative systems and take steps to assure the Congress that the taxpayers' money going for Government overhead is being prudently managed.

This year's process also demonstrated again that there is inadequate time available for the Congress to fully consider and debate the many budget-related authorizing and appropriations actions it must take. The Government once more had to begin the fiscal year on a continuing resolution, leaving Federal, State, and local officials uncertain about funding levels for fiscal year 1982. The problem goes beyond the unique circumstances of this particular budget cycle, and stems in part from the heavy workload created by too frequent use of annual authorizations and appropriations. By one count, the President's fiscal year 1981 budget contained fully 150 civil and defense-budget accounts with approximately 1,000 programs entailing some kind of annual authorization action.

We need to consider options for stretching-out our budget-related actions to permit more orderly, thoughtful, and timely actions. At GAO we have already recommended more use of multiyear authorizations, and multiyear or advanced funding, for Federal research and development efforts, and Federal grants to State and local entities. Such steps could lessen unproductive workload at the Federal level, and provide a needed degree of funding stability for the program participants.

Along these lines, I think that it is time for the Congress to seriously consider shifting the Government to a biennial budget

cycle. This change, plus adoption of a more binding first concurrent budget resolution, could help alleviate some of the time pressures now experienced in budgeting. Of course, changing to a biennial cycle would have to be studied carefully. GAO is now reviewing the experiences of several State legislatures with biennial budgeting.

In conclusion, let me emphasize that the future will bring many significant changes in budgeting and program analysis. Federal managers and analysts should not underestimate the far reaching consequences of these changes for their financial management operations. To make improvements we need the mutual support of many disciplines, and we need effective but simple means of working together. We also should keep in mind that the results of our work are intended to be used by policy officials who should not have to use budget and program jargon. We must communicate our message clearly so that the information we pass on can be used quickly and advantageously by political and elected officials.

Based on my past experience in both the private and public sectors, I have every confidence that these challenges can be met. I believe that the budget and program analysis community can take pride in having dedicated, innovative, and responsible professionals who are equal to their very demanding duties. Let us today at this symposium renew our commitment to ourselves and to the citizens of our great country to leave no stone unturned in our quest for professional excellence in discharging the responsibilities that lie ahead.