

STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL
OF THE UNITED STATES
BEFORE THE LEGISLATIVE SUBCOMMITTEE
APPROPRIATIONS COMMITTEE
UNITED STATES SENATE

SEN 00301 9233

[GAO ~~ON THE~~ BUDGET ESTIMATES FOR FISCAL YEAR 1980 and Supplemental
Appropriation Request for Fiscal Year 1979]

Mr. Chairman and Members of the Subcommittee:

We appear here today seeking your support for urgently
needed additional staff for the General Accounting Office ^{GAO 00101} to
meet a sharply increased workload which has occurred over the
past two years. As you know, the GAO received no increase in
its budget for fiscal year 1978. For fiscal year 1979, both
the House and Senate Appropriations Committees approved
a staffing level of 5,264 staff years and an increase in
funding for 60 staff years. However, as a result of action
taken by the Congress as a whole to reduce the legislative
branch appropriations by 5 percent, the GAO suffered reduction
of 164 staff years below the approved level of 5,264 staff
years. As a result, we have had to impose a freeze on new
hiring and have only 5,108 staff on rolls today.



GAO's basic statutes require that it audit and evaluate
all programs of the executive branch. To a lesser extent, we
must audit the operations of both the legislative and judicial
branches as well. As the Federal budget has grown, our work-
load has automatically grown with it. However, more important
from a workload standpoint has been the increasing number of
new responsibilities placed upon the GAO during the last two
years.

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Testimony

Sixteen separate statutes were enacted in the second session of the last Congress mandating either continuing new responsibilities or important specific assignments to be undertaken in support of the legislative branch. In addition, requests from committee chairmen and Members have continued to increase. These special assignments and requests now approximate 37 percent of GAO's entire workload. Each of these assignments--large and small--has averaged in cost approximately \$110,000. The Congress' increased interest in the work of the General Accounting Office has also resulted in a sharp increase in the number of requests to present testimony. We testified 164 times in calendar 1978. This is roughly a fourfold increase in the last six years and a 50 percent increase above the preceding year.

These workload increases--those occurring since January 1978 when we appeared here in support of our 1979 request--have been greater than at any time in GAO's history. This new legislation and increases in Committee and Member requests will require us to use between 350 and 400 additional staff years in 1979 and in 1980 above those that we were aware of when we made our budget request for FY 1979. New statutory mandates given us since January 1978 are listed in an attachment to my more detailed statement.

In addition, the growing concern about fraud, abuse, and error in Government has increased and this problem has caused widespread concern in the Congress itself. To meet this concern, GAO has established a special Task Force on

Fraud and Abuse which will require about 57 staff years each in 1979 and 1980.

To meet this additional workload, we have thus far had to simply spread our audit work more thinly and divert staff from other high priority work. We have had to cut sharply our funds for needed travel, training programs and many other activities which, if continued, will weaken our ability to serve the Congress in the longer run.

We have therefore concluded that we should request the Congress to approve a supplemental appropriation of \$12.8 million for the current fiscal year to meet pay increases and to provide 82 additional staff years beyond that which we can finance with the 5 percent reduction. Even with this additional amount, we will need to reprogram some 300 staff years from work that we would otherwise have done under our continuing auditing responsibilities.

With the approval of our FY 1980 request, the GAO's budget would total \$206,763,000 to fund 5,350 staff years. This is an increase of \$17,506,300 over our available and requested fiscal year 1979 obligational authority. A more detailed justification of estimates for 1980 and a statement of justification of requests for our 1979 supplemental appropriation request has been provided to the Committee.

Even with the additional resources that we are requesting, we will have to cut into our coverage of Federal agencies and programs. One hundred staff years of additional workload in FY 1980 will still have to be met by reprogramming from our

self-initiated work. In other words, we will be absorbing what we now estimate will be 100 additional staff years over and above the additional requests which we are presenting here today. All of this additional workload results from new legislation and growth in Federal programs.

Another point about increases to GAO workload needs to be made. As I indicated, we have identified--and asked only partial funding for--the workload increases that we now know will impact on us in FY 1979 and FY 1980. It is quite likely that there will be further increases to our workload. For example, the Congress may well enact legislation to further regulate lobbying. Both House and Senate bills contemplate additional responsibilities for GAO. Undoubtedly, there will be other new legislation that will require GAO to perform particular audits and evaluations. And the enactment of new or expanded programs together with increased Congressional and public interest in oversight of Executive Branch programs will place their own workload demands on us. We cannot reasonably estimate those requirements or what their demands on our resources will be. Consistent with our long standing policy we have not made any provision in our resource request for prospective legislation no matter how likely its passage seems. This means that there will need to be further erosion of coverage under our basic legislation. It underscores the importance that we place on the need for GAO to get the relatively modest increase in resources that we are requesting.

We recognize the need and have made plans to respond fully and promptly to the audit and evaluation requirements mandated by new legislation and by Committee requests. But, we are increasingly anxious that these immediate demands not long be met, at the expense of our systematic and continuing coverage of Federal agencies and their programs.

GAO audits and evaluations regularly yield important benefits to the Federal Government and to the American people. During the past 2 years, savings attributable to GAO recommendations have totaled \$8.2 billion. GAO recommendations have also resulted in innumerable other improvements to the economy, efficiency and effectiveness of Federal programs. I might add that \$6.3 billion--or approximately 77 percent--of the savings achieved over the last 2 years and many of the more significant improvements whose benefits cannot be quantified have resulted from work initiated by GAO under our basic charter. The above quantifiable savings alone--over this 2-year period--equal more than \$2 million for each GAO professional staff member.

GAO's self-initiated coverage of agencies and programs is planned to assure that they are audited and evaluated at least at a minimum level consistent with their size and significance. Our self-initiated work is also kept responsive to current Congressional interest and priorities. Staff years to meet changing priorities and concerns are made available by reprogramming.

GAO audits and evaluations--indeed all of its work--yield an excellent return to the Government. Even beyond this, adequate coverage of Federal agencies and programs is essential to promoting sound Government programs effectively directed and prudently managed.

This concludes my opening remarks, my colleagues and I will be glad to answer any questions.

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ON
BUDGET ESTIMATES FOR FISCAL YEAR 1980

22 FEB 1979

Mr. Chairman and Members of the Subcommittee:

We are presenting today the financial requirements to carry out the responsibilities of the General Accounting Office for fiscal year 1980.

The request that we are supporting today is for \$206,763,000. This will fund 5,350 staff years. It is an increase of \$17,506,300 over our FY 1979 obligational authority and the supplemental funding that we have requested for that year. Of this total increase of \$17.5 million, \$6.2 million is necessary to fund 168 additional staff years for workload increases which we must meet and over which we have virtually no control. The balance of the increase--\$11.3 million--is required to support our current operations.

The GAO "Justification of Estimates for Fiscal Year 1980", which has already been given you, details the basis for our request and the manner in which we plan to use all of the resources that we have requested for that year. I would like in my statement today to point up the reasons that I believe it is important for GAO to be funded at this increased level and to briefly describe and illustrate the kinds of workload increase that we now know we must meet in FY 1980. I will also discuss the extent to which we have kept the requested increase to a minimum through plans

to absorb major portions of the increased workload by reprogramming from day-to-day responsibilities under GAO's basic statutes.

FY 1980 FUNDING NEEDED TO MEET
KNOWN WORKLOAD INCREASES IN FY 1980

Since January 1978 when we came forward with our FY 1979 appropriation request, our workload--which we will have to perform in FY 1980--has increased by 350 staff years. This workload has been the result of completed congressional actions and increased congressional requests for audits and evaluations. As a part of our FY 1979 supplemental request, we are requesting some partial relief--totalling 82 staff years--to meet the FY 1979 impact of these new workload demands. In this request--for FY 1980--we are asking for the continued funding of these 82 staff years plus funding for an additional 168 staff years. The aggregate, or 250 staff years, will only partially satisfy the significant increase in workload that we must sustain.

During my tenure there have been statutory changes such as the Legislative Reorganization Act of 1970, the Congressional Budget and Impoundment Control Act, which both broadened the scope of GAO's overall responsibilities and added to our specific responsibilities. However, this tremendous increase in workload, aggregating as I have said, 350 staff years in less than one year is unparalleled in our history. It poses a major management problem to us; i.e., how do we meet the new and recurring demands of the Congress and at the same time continue to maintain the high level quality standard that is clearly expected by the Congress?

Clearly, this cannot be done without some increase in resources. We have concluded that it will be possible for us to absorb 100 staff years of the 350 staff year workload increase. This means that--with favorable action on our request for an increase of 250 staff years--we will be absorbing 28 percent of the increased workload. We plan to absorb this increased workload by reprogramming from or further deferring work required by our basic statutes.

After several reexaminations, we are convinced that no further absorption is reasonably possible unless we undertake a program of substantial work deferrals or stretchouts.

The increased FY 1980 workload has arisen from the following:

--Specific requirements for GAO audit and evaluation work included in legislation and in committee reports, House and Senate resolutions, etc. The point here is that, with increasing frequency, legislation (and other Congressional actions such as House and Senate resolutions, etc.) require GAO to make particular defined studies or evaluations by a date stated in the legislation. The work must be done and it must be done in a stated--usually rather tight--time frame.

--Legislation creating new or expanding existing Federal programs. With only very minor exceptions, GAO is required to audit and evaluate the operations of all Federal agencies and their programs. Our basic

1921 legislation--reemphasized by various pieces of additional legislation through the years--gives us this comprehensive responsibility over the range of Federal activities. This total workload remains in place from year to year and is performed over a time frame which provides at least a minimum oversight coverage. Each new piece of legislation, which adds a new program, or modifies or expands an existing one effectively increases our workload whether or not it specifically calls for GAO audit.

--Committee and Member requests. One of our more important responsibilities--over which we have little or no control--is that of responding completely and promptly to the requests of Committees and Members of Congress for the performance of audits and evaluations. GAO work responding to these requests is valuable to them in fulfilling their legislative and oversight roles and in representing their constituency. It is a responsibility given us in the Budget and Accounting Act of 1921 and reemphasized in the Legislative Reorganization Act of 1970.

I would like now, to take a few minutes to further describe and illustrate these uncontrollable workload increases that will increase GAO's FY 1980 workload.

LEGISLATIVE ACTIONS MANDATING
SPECIFIC RESPONSIBILITIES TO GAO

- The Federal Banking Agency Audit Act (P.L. 95-320, 7/21/78)
directs the Comptroller General to conduct audits of the Federal Reserve Board, Federal Reserve Banks and their branches and facilities, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. Fulfillment of this responsibility will require us to look into (1) the Federal regulation and supervision of commercial banks, savings and loans, and credit unions; (2) regulation of bank holding companies; (3) condition and structure of the financial industry; (4) central bank and agency functions at the Federal Reserve; and (5) organization and administrative management. It is a major responsibility which will require 51 staff years work in FY 1980.
- FY 1978 Amendments to the Small Business Act (P.L. 95-507, 10/24/78) requires GAO to evaluate and report by January 1, 1981, on four SBA programs, the economic opportunity loan program, SBA's 8(a) procurement program, its management assistance to minority business program, and a new minority SBA subcontracting program. GAO evaluation of "pilot" programs (waivers of bonding requirements and new negotiation procedures for procurement under SBA's 8(a) program) is also required. Sixteen staff years will be needed for this work in FY 1980.
- The Civil Service Reform Legislation (P.L. 95-454, 10/13/78) representing a major Congressional and Administration effort

to improve the Civil Service System, imposes a number of substantial specific responsibilities on GAO. GAO has long been interested in, and has done extensive work pointing toward Civil Service reform and increased employee productivity. We will, therefore, have a substantial head start in meeting our responsibilities under this legislation. Nevertheless, our response to the requirements of this Act will require 40 additional staff years in FY 1980.

--Federal Government Pension Plan Reporting (P.L. 95-595, 11/4/78) requires GAO to audit the financial activities of the pension plans. We will need to establish accounting principles for the plans and to audit the reports, including financial and actuarial statements, that are furnished annually by the agencies and instrumentalities operating the plans. We also have program audit authority over the pension plans and funds. Our work responsive to this Act will require 33 staff years in FY 1980.

--Ethics in Government Act of FY 1978 (P.L. 95-521, 10/26/78) requires us, by November 30, 1980 to study the legislative branches' financial disclosure system to see if provisions are being carried out and financial reports are being filed as required. The first study is to include GAO recommendations on the feasibility of and potential need for a requirement that systematic random audits be conducted of financial disclosure reports of the legislative branch. Twenty staff years will be required for this work in FY 1980.

--The Nuclear Anti--Proliferation Act of 1978 (P.L. 95-242, 3/10/78) requires GAO to assess the implementation and impact of the Act on the nuclear non-proliferation policies, purposes and objectives that it embodies. This will be a major GAO effort, involving some 20 individual assignments that will be performed by two different GAO divisions with the assistance of a number of regional offices and of GAO overseas branches. We are committed by the terms of this Act to provide a comprehensive report to the Congress by March 1981. Eighteen staff years will be required in FY 1980.

--Conference Report (H.R. 95-1753), Education Amendments of 1978 (10/15/78) stated that GAO should pay particular attention to the adequacy of the legislatively required evaluations of Federal education programs and approaches followed by HEW in making them. This will require 7 staff years in FY 1980.

In addition to the above, seven other statutes and committee reports will require significant GAO work in FY 1980.

LEGISLATION CREATING NEW OR
EXPANDING EXISTING FEDERAL PROGRAMS

Recent new legislation increasing GAO's FY 1980 workload and requiring audit coverage under GAO's regular statutes include the following examples:

--The National Climate Program Act of 1978 (P.L. 95-367, 9/17/78). This Act establishes a National Climate Program Office which will establish goals and priorities and outline the role of various Federal agencies such as Agriculture, Commerce, Defense, Interior, State, Transportation, and

Energy. GAO work related to functions covered by this new legislation will require 4 staff years in FY 1980.

- Agriculture Foreign Investment Disclosure Act of 1978 (P.L. 95-460, 10/14/78). Ten staff years will be used by GAO in FY 1980 to determine the effectiveness of this Act in meeting difficulties in determining the ownership of agricultural land by foreign nationals.
- The Natural Gas Provisions of the National Energy Act (P.L. 95-621, 11/9/78), requires Federal Energy Regulatory Commission planning to implement the requirement that high price gas supplies be incrementally priced to large scale industrial users. It also includes provisions concerning natural gas curtailment policies. Eight GAO staff years will be required in FY 1980 on work related to the provisions of this act.
- Omnibus Parks Act of 1978 (P.L. 95-625, 11/10/78). This Act includes 150 projects in 44 states. It provides for major new urban park additions; expands the boundaries of existing national parks, creates new wilderness areas, and adjusts the cost ceiling of several park service units. This legislation increases the work that GAO needs to do in FY 1980 by 5 staff years.

REQUESTS OF COMMITTEES AND MEMBERS

Since its establishment by the Budget and Accounting Act of 1921, GAO has been responsible for responding to the work requests of Committees, and to the extent possible, of Members of Congress. This responsibility was reemphasized by the

Legislative Reorganization Act of 1970. It is a significant GAO role which fulfills an important congressional need.

In a very real sense, virtually all of GAO's work is directed to Congressional needs and those of its Committees and Members. Recognition of this is the key piece of GAO's program and assignment planning systems. Those systems regularly seek to make GAO work over the range of our responsibilities as relevant as possible to current congressional actions and concerns.

Additionally, we regularly work with Committees and their staff to keep them apprised of GAO services available to them and how to obtain those services. In recent years, the number of Committee and Member requests for specific GAO audits and evaluations has increased. It is clear that further increases will occur in FY 1980.

Typically, Committee requests (and many Member requests) are for audit and evaluation work which is necessary for their use in considering new or proposed legislation, in assessing the need for amending existing Federal programs, in determining the levels at which they should be funded, and in dealing with concerns they have from time to time regarding oversight of Federal programs or agencies. GAO audits and evaluations, performed at the request of individual Members of Congress, provide an important resource, not otherwise available to them, for their use in dealing with the significant concerns of their constituents.

Based on our present knowledge and past experience, requests to perform particular audits and evaluations will increase in FY 1980 by 106 staff years over FY 1979 levels.

EMPHASIS ON PREVENTION AND
DETECTION OF FRAUD AND ABUSE

A major effort initiated in FY 1979 which will have a continuing impact on our FY 1980 operations is the special focus we are providing to the prevention and detection of fraud in governmental programs.

As part of our normal audit work, we watch for instances of fraud and for areas where there seems to be a potential for fraud. Given the high level of interest being shown by Members of the Congress, we believe that a special emphasis on this subject would be worthwhile. For that reason, we decided to dedicate a special group, full-time, to an in-depth analysis of this problem. Consequently, we recently established a Special Task Force for the Prevention of Fraud and Abuse. Our best present estimate is that about 57 staff-years each in FY 1979 and FY 1980 will be required to address this issue.

We think that the work of this Task Force--supplementing and focusing other related work done throughout GAO--will effectively respond to Committee and Member interest in this significant area.

LIKELIHOOD OF FURTHER WORKLOAD INCREASES

As I mentioned, we now know that our FY 1980 workload will increase by 350 staff years over those requirements that we knew about when we came forward with our FY 1979 budget. We are, however, asking for resources to fully fund only 86 staff years over the 5,264 staff years that had been authorized for our use in FY 1979. That level of resource use could not be funded because of the limitation on obligational authority imposed by P.L. 95-391.

We fully recognize the duty that we have under our basic legislation--as it has been reaffirmed over the years--to give adequate coverage on a continuing basis to the audit and evaluation of agencies and their programs.

We have in place a planning system which identifies the work that most needs to be done in our areas of responsibility and alerts us to places where our coverage is becoming unacceptably "thin". For example, it is apparent that we will need to increase the proportion of FY 1980 resources that we devote to defense related work. In recent years, our response to increased workload without a proportionate increase in staff led to a continuing decrease in the percentage of resources that we have been able to devote to defense related work. In FY 1979 and in FY 1980, we will need to stop the decrease and restore such work so that it constitutes 25 percent of our total effort.

Another workload related point needs to be made. We have identified--and asked only partial funding for--the workload

increases that we now know will impact on GAO in FY 1980. But we are no less sure that there will be other workload increases impacting on our work in that year, which cannot now be identified. Without doubt there will be other new legislation which will require us to perform particular audits and evaluations. And the enactment of new or expanded Federal programs will place its own new workload demands on us. We cannot, however, reasonably estimate these requirements or what their demands on our resources will be. Consistent with our longstanding policy we have not made any provision in our resource request for prospective legislation no matter how likely its passage seems. This underscores the significance that we place on the need for GAO to obtain the relatively modest increase in resources that we are requesting for FY 1980.

RESULTS OF GAO WORK DURING THE PAST YEAR

In asking the Committee's support for our appropriation request, I consider it important to point out that measurable savings resulting from GAO work far and away exceed amounts appropriated for our use. As you know, we do not have authority to direct agencies to accept our recommendations. The extent to which we are successful in bringing about improvements depends basically on (1) the adequacy of our factual analysis and the persuasiveness of our findings and recommendations and (2) the support our reports receive from the Congress.

I might add here that GAO work--our findings and recommendations--are, by and large, well supported by the Congress. In

this connection, I just reread the House Appropriations' Committee Report on the Department of Defense FY 1979 Appropriations bill. That report refers some 93 times to GAO reports and recommendations. It points to diseconomies, areas of ineffectiveness and weaknesses in management and controls that we have reported on. In many instances, it translates our findings and recommendations into reductions in DOD appropriations where this is appropriate to prevent waste. In others it highlights the need for further Department of Defense action on our recommendations. This kind of Committee action not only takes good advantage of the work that we have done, it also is a tangible and visible demonstration of the need for Federal agencies to correct deficiencies promptly when we identify them.

GAO's impact is sometimes clear and easily measured. However, in many cases it is not easy to measure because agencies sometimes make changes not only because of our recommendations but because of recommendations from other sources--committees of Congress, outside organizations, and even editorials in the press. Some such changes take place many months after our reports are issued.

Nevertheless, GAO does keep a record of changes that are clearly related to our efforts. During FY 1978, savings attributable to GAO recommendations totaled over \$2.5 billion. I would quickly add that these dollar accomplishments while impressive, are not the total--or even the most important--of GAO's accomplishments. Management improvements that cannot be readily quantified and GAO recommendations that make programs more effective are also important.

Then, too, the very presence of an oversight agency like GAO-- that can ferret out problems and make them visible to the public and to the Congress-is an important asset in any Governmental setting. I am distributing a separate document drawn from our annual report which sets forth GAO's accomplishments in fiscal year 1978.

CONCLUSION

This concludes my prepared statement. I hope you will agree that the additional funds requested are needed to permit us to meet known increases in workload without seriously damaging the basic and continuing audit and evaluation coverage that Congress expects of us. They will yield an excellent return for the Federal Government.

22 FEB 1979

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SUPPLEMENTAL APPROPRIATION REQUEST
FOR FISCAL YEAR 1979

We are requesting supplemental funding to finance GAO operations in FY 1979 as follows:

	(In Millions)
Title II Pay Increase Costs	\$ 7.3
Program Supplemental	<u>5.5</u>
Total Supplemental Funding Requested	<u>\$12.8</u>

I will briefly discuss the need for each of these separately. A more detailed justification has already been provided to you.

PAY INCREASE COSTS

The pay supplemental request is to cover salaries and benefits related to the pay raise effected by Executive Order 12087 of October 1, 1978. That order provides for an overall pay increase of 5.5 percent. Its net effect on General Accounting Office salaries and benefits is 5.1 percent. Employees subject to the Executive Pay Raise of February 1977 compensated at the rate of \$47,500 or higher are not affected by this pay raise.

The additional funding needed to meet the increased pay levels totals \$7,281,000.

Absorption

Due to Section 311 of P.L. 95-391, which withheld from obligation and expenditure 5 percent of total budget authority for payments not required by law, we are already operating at a financial level lower than that which is required to effectively carry out our mandated responsibilities. Therefore, we are not able to offer up any part of this cost increase for absorption.

PROGRAM SUPPLEMENTAL

Significant recent congressionally directed workload increases require us to request supplemental funding for FY 1979 in the amount of \$5.5 million. This--with amounts already provided and with favorable action on our supplemental request to fund the pay increase--will finance a total of 5,182 staff years in this year. It amounts to a total funding level of \$189.3 million. The analysis of changes for FY 1979 follows:

	<u>Average Positions</u>	<u>Amount</u>
FY 1979 Appropriation	5,264	\$185.8
Portion Not Available Pursuant to P.L. 95-391	-164	- 9.3
Supplemental Requested:		
a) Required by Civilian Pay Raise	-	+ 7.3
b) Program Supplemental Required by Increased Workload	<u>+ 82</u>	<u>+ 5.5</u>
ADJUSTED TOTAL	<u>5,182</u>	<u>\$189.3</u>

The urgency of the need for these increased resources results from a couple of significant factors:

--The 5 percent spending reduction imposed by P.L. 95-391, totaling \$9.3 million constituted a reduction of 164 staff years below those which had otherwise been appropriated for our use during FY 1979 to meet our then known FY 1979 workload. Continuation at this diminished level would result in a total staff year availability of only 5,100 FY 1979 staff years. This is actually less than the 5,144 staff years that we used to meet a lesser FY 1978 workload. In short, the reduction effected by P.L. 95-391 took us below the level reasonably required to meet workload that we then knew of.

--Since we made our budget request for resources to meet our FY 1979 workload, there have been very substantial increases in that workload--totaling 400 staff years. We would have had very great difficulty dealing with these very substantial increases even if our FY 1979 appropriation had not been "cut"--through the operation of P.L. 95-391 to the present level of 5,100.

It is, therefore, apparent that for us to operate in FY 1979 with the 5,100 staff years presently available to us, we would have to absorb the increased workload that we knew of when we made our budget request as well as the very large workload increases that have occurred since that time. Clearly, we cannot do this without significant negative impacts on the fulfillment of our overall audit and evaluation responsibilities.

Given our known workload--the 5,182 staff years for which we are requesting FY 1979 funding--would not be adequate to meet our responsibilities for any substantial period of time.

It is important, therefore, that our request receive favorable consideration. It is a modest request that recognizes the delays necessarily inherent in obtaining supplemental funding. Consequently, it will not provide the resources that we need to meet increased workload. Some retrenchment in our audit and evaluation coverage over our total responsibilities will continue to be necessary in FY 1979 even with resources provided by the supplemental appropriation. But favorable action on

this request will permit us to staff up to what we believe to be minimum levels of coverage for FY 1980. Favorable action on our request is, in my judgment, in the overall best interest of the Federal Government. It is, I am confident a prudent and necessary use of Federal funds.