

GAO

Testimony



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Fiscal Year 1992 Budget Estimates for the
General Accounting Office

Statement of
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Before the
Subcommittee on Legislative
Committee on Appropriations
U.S. House of Representatives



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our fiscal year 1992 funding requirements. Before I do so, let me start by summarizing briefly our accomplishments for the past year.

Fiscal year 1990 was a banner year for GAO--products issued were at an all time high, the general perception of our work was good, and our work focused on the major national issues. We accomplished this without any increase in our staff ceiling by becoming more efficient. By achieving operational efficiencies we have been able to stretch our current staff resources to the maximum. Through the support of this Subcommittee, we now have programs that allow us to hire the best; reward them for work well done; and provide them with the training, automated equipment, and other support services necessary for them to perform high-quality work in an efficient manner. In addition, we have made a number of changes in the process and procedures for our audit work and have examined different ways of doing our work such as contracting out selected tasks performed as part of our audits and evaluations.

I want to thank you Mr. Chairman and the members of this Subcommittee for your support.

Fiscal Year 1990 Accomplishments

As I mentioned before, we achieved a number of accomplishments this past year. To illustrate this, I will compare GAO productivity for fiscal year 1990 with that of 1989 and 1983, years in which we had essentially the same number of staff. We issued 975 reports to the Congress and agency officials during fiscal year 1990, an 11-percent and a 29-percent increase over totals in 1989 and 1983, respectively. Seventy-one GAO staffers testified a total of 306 times at the request of the Congress on various issues, up from 63 testifying 217 times in 1989 and 45 testifying 154 times in 1983. It is interesting to note that in the past we testified subsequent to the issuance of our audit reports. Today, we are testifying at the same time that the events are unfolding and often even before issuance of our audit reports. We achieved a new high of 1,521 for the number of congressional assignments started and we completed work on 1,493 congressional assignments. In addition, Congress passed a number of legislative mandates impacting our work load. I think that these statistics are extremely important because they illustrate the Congress's increasing reliance on GAO for accurate and objective information and analysis to help in dealing with the many important problems facing the nation.

Because we recognize the nation's current fiscal dilemma, one of our chief priorities is to actively seek ways to improve the cost-effectiveness of federal programs and to recommend ways to

improve the level and the quality of services provided to the public. During the past fiscal year, we continued to target our audits and evaluations in those areas where potentially large dollar savings could be realized and where the risk for mismanagement, fraud, and abuse was very high. As a result of our work, we contributed to legislative and executive actions that resulted in about \$15.2 billion in measurable financial benefits, up from \$7.8 billion in 1989 and \$4.5 billion in 1983.

To date, we have initiated a total of 124 jobs in the 14 areas that we have designated as "high risk" for fraud, waste, and abuse. Twenty-seven of these jobs have been completed, and ninety-seven are in progress. For example, work done in the asset forfeiture area revealed that because of a legal requirement most seized cash had been forfeited judicially even though no one had come forward to claim the money. On the basis of our recommendation, the law was amended to allow for the administrative forfeiture of all uncontested seized cash. This change will speed the forfeiture of an estimated \$389 million in fiscal year 1991 cash seizures that can be reprogrammed for other congressionally-approved purposes. In addition, adoption of our recommendation will result in more efficient use of U.S. Attorney resources due to streamlined case-processing procedures.

Many of our assessments and reviews result in improvements in government operations and services that are difficult to quantify but could yield large payoffs. During fiscal year 1990, we had 161 documented instances of nonmonetary accomplishments in improved service to the public. This was 10 percent higher than in 1989 and 61 percent higher than in 1983. An example is a study we did on infection control programs in government and private sector hospitals. This study was cited as the foremost study of the subject in recent times by a number of health care professionals. As part of the study, a list was prepared of the factors contributing to the successful control of infection; the list was reprinted and distributed to the more than 5,400 member hospitals of the American Hospital Association. In addition, a Spanish-language edition was provided to an international infection control symposium in Mexico and was distributed internationally by the World Health Organization.

We've had this kind of impact in all of the areas we have worked on for the Congress. Examples are as follows:

- In the budget area, we issued a comprehensive report on the deficit problem containing specific proposals for implementing a long-term structural solution; the principal element was a multiyear budget plan.

- In the financial institutions area, we reported to the Congress that Resolution Trust Corporation funding would not cover the savings and loan bailout costs; recommended ways of improving the safety and the soundness of U.S. financial institutions and markets to better protect depositors and investors; and recommended that the Federal Deposit Insurance Corporation and the Export-Import Bank increase their reserves.

- In the financial management area, a report on the condition of federal internal controls and accounting systems helped build governmentwide support for legislation to reform federal financial management and resulted in passage of the Chief Financial Officers' Act. This landmark legislation provides an unparalleled opportunity to significantly improve government management.

- In the tax area, we continued to provide information and analyses critical to the Congress's decisions on revenue bills. For example, we reported on the uncertainty of revenues collected from IRS' enforcement programs; the need to stem the growth in IRS' accounts receivable; the need for simpler rules for making employment tax deposits; and the advisability of taxing the "inside buildup," or interest that accrues in life insurance and annuity contracts.

- In the health area, we conducted a number of reviews aimed at improving health care and containing costs. For example, we recommended the inclusion of women in study populations used in research funded by the National Institutes of Health and recommended that limits be placed on Medicare payments to suppliers of home dialysis equipment.

- In the information systems area, our reports on major systems acquisitions that had been poorly planned or designed, such as the multibillion-dollar systems for the Strategic Defense Initiative, the Forest Service's nationwide geographic information program, and the Federal Aviation Administration's computer resources project, led the Congress and the agencies to delay or improve these procurements.

- In the housing area, our findings that rental housing developers could realize excess profits led the Congress and the Department of Housing and Urban Development to revise portions of the low income housing tax credits and the low-income rental subsidy program. We also reported on the number of losses that could be expected among low-income housing units due to the process of mortgage prepayment; our review led to legislation providing incentives for owners of these units to stay in the program.

-- In the energy area, we advised the Congress and the Department of Energy on the need for a national energy strategy, focusing on such issues as the Strategic Petroleum Reserve, demand restraints on oil, transportation efficiency, and the environmental effects of energy consumption. In addition, an examination of the Exxon Valdez disaster and other oil spills contributed to legislation requiring oil spill contingency plans.

-- In the defense and international area, we began reviews and studies in such areas as the restructuring of U.S. armed forces, arms control, the changing U.S. role in the North Atlantic Treaty Organization, future economic relations with Eastern Europe, and the effects of international economic sanctions on Iraq. Our work on Operation Desert Shield, which has assisted U.S. policymakers, government administrators, and legislators in decision-making, focused on U.S. and foreign commitments, planning, mobilization and deployment, military operational considerations, and international relations. We continued to examine the cost growth, delivery, schedule slippages, and operational capacities of many major weapons systems now in development or production and found that weapons systems not adequately tested before production often experience operational

shortcomings. The cancellation of the Bigeye bomb weapon system, under a bilateral accord between the United States and the Soviet Union, culminated over 4 years of GAO evaluations and reports on the program.

These are but a few examples of GAO's work in fiscal year 1990. But I think that they illustrate that our work is focused on the major national issues and is resulting in positive impacts on government operations and services. I have many more examples, but since time is limited, let me provide an update on actions we are involved in that are targeted at continuing to ensure top quality work with continuous efficiency gains.

Operational Improvements

Since I took this job, we've undertaken a series of efforts to permit us to handle an increasing congressional work load that is becoming more analytically and technically complex without any staff increase. We have made a number of changes in our work processes and procedures designed to improve the timeliness of our work and enhance quality. We have decided to have our regions concentrate their work efforts on specific issue areas as a way to build expertise and enhance the continuity of our work. We've streamlined our organization structure and taken a look at whether we still need to have staff so geographically dispersed. In this connection, we have decided to close a number of our regional suboffices to provide greater flexibility in staffing

jobs, better supervision, and enhanced training and career paths for staff. We also plan to move our audit site staffs into the headquarters building upon completion of the asbestos removal project as another way of achieving efficiencies and providing greater flexibility in staffing jobs. We have introduced and capitalized on the microcomputer technology as yet another means of improving the efficiency of our audits and evaluations.

Through our ongoing Operations Improvement Program, we elicit, study, and implement ideas from staff throughout the organization to improve efficiency and effectiveness. Through this program, we have achieved great success. For example, staff suggestions have resulted in automating GAO policy guidance and improving graphics in our reports.

I'm still not happy, however, with the amount of time it takes to issue our products. Further improvements are needed. Thus, we are looking at our traditional approach to managing and performing work to see if more innovative approaches might further increase our reporting efficiency and responsiveness to the Congress. As a result of a congressional request, we are studying the impact of formal total quality management practices on the performance of selected U.S. companies as a possible way to improve U.S. competitiveness in world markets. Based on preliminary data collected, we believe that total quality

management may be a way for us to achieve additional innovation and efficiency. Thus, we are assessing the applicability of this approach to GAO.

I have visited several companies using this approach--Motorola, Ford, General Motors, and Florida Power and Light. These organizations share several characteristics: a pervasive customer orientation; a flat, dynamic organization structure; an obsession with quality; and a management philosophy that builds the self-esteem and dignity of all employees, leading to a full commitment to producing quality work rapidly. GAO has opportunities to assess--and enhance--itself in all these areas.

To achieve peak performance from our staff, we continue to emphasize the need to manage them well. This is particularly important since our work is very labor intensive. We continue to focus on hiring the best staff, training them well, giving them challenging work, providing first-rate equipment and work environments, rewarding those who excel, and treating everyone fairly. We have made good progress toward achieving these goals this past year. Our enhanced recruiting program and campus outreach efforts have been extremely effective in getting the top-notch students interested in and applying for jobs at GAO. In fact, we had 7,300 applicants for 239 jobs this past year.

We have implemented phase II of our new Pay-for-Performance system through which we recognize outstanding performance by giving permanent pay increases. We will pay performance-based bonuses, for the first time, to our administrative, professional and support staff during fiscal year 1991.

In the area of training, we have revamped our training curriculum to better meet our executive, managerial, and professional staff's training needs. We continue to monitor their progress toward achieving the required 80 hours of training needed every 2 years to continue to manage and perform audits and evaluations. In accordance with direction from this Subcommittee, our Senior Executive Staff (SES) are also covered by the 80 hour training requirement and we are increasing the amount of and substance of the technical training we provide to staff.

We recently issued a new training catalog describing our revised curriculum. Educators have given us highly favorable comments on it and we are receiving numerous requests from other agencies to send staff to various courses.

Our asbestos abatement program is now fully under way, and we are beginning to move our headquarters staff back into efficient, professional work spaces equipped to support essential computing and telecommunications.

In 1986, your Subcommittee directed us to pursue the consolidation of our administrative systems. After careful evaluation of alternatives, we concluded that the Department of Agriculture's National Finance Center (NFC) could best meet our needs for payroll, personnel, property, assignment management and supply systems. We have converted our payroll, personnel, time and attendance, and supply systems to NFC. Within the next few months, we will convert our mission and assignment tracking and property systems. We have found this to be a very effective approach to satisfying our data processing requirements. NFC's service has been exemplary. We believe that using NFC's systems rather than developing our own has saved the taxpayers a considerable amount of money.

We have also placed in operation an "off-the-shelf" financial management package. The package meets our accounting principles and standards and has successfully supported production of timely, auditable financial statements for the past 2 years. Over 20 other agencies such as the Departments of Treasury, Interior, and State, have decided to use this package rather than develop their own systems. We have organized a users' group of representatives from each agency, to cooperate in addressing enhancements to the software to meet new or changing requirements in the most cost-effective and beneficial way. This permits us to work with the vendor to incorporate changes in each

new system release that meet all users' needs rather than each user customizing the system independently. As the system has matured, additional federal agencies have expressed a desire to use it.

Microcomputers have proved to be an essential ingredient in our quest for increased efficiency agency wide, and we continue to pursue ways to further capitalize on the latest technology. We believe the next step in automating GAO is to connect staff and managers by linking the microcomputers through networks. This would greatly enhance the ability of our geographically dispersed staff to be more responsive to congressional needs. However, an initial attempt to test out this approach was hampered by serious technical difficulties with the minicomputer technology we selected several years ago. While the technology at that time seemed to be the best available to meet our project requirements, the result proved otherwise.

We have replaced this equipment with personal computer-based technology which has already proved itself in the industry. We will shortly send the Subcommittee a revised shared resources pilot plan which reflects this shift in technology. This plan will document our selection of test applications, our organizational structure for managing and conducting this test, and our methodology for evaluating test results. We feel confident that the Subcommittee will concur with this test plan.

I am aware of the continuing concerns regarding this project that surfaced in a review by the Committee's Surveys and Investigations Staff. Let me assure you and members of this Subcommittee that we are fully committed to resolve these concerns so that we can move forward with your confidence in our ability to meet this challenge.

In addition, we have made a small investment in very limited local area networks (LANs) to test management information systems and applications and to meet other operational needs. These LAN investments provide additional knowledge for our network planning efforts.

I'd like to relate what our Executive Council on Information Technology, which recently met with us to help shape the government's information strategy for the 1990's, emphasized because it highlights the challenges and risks involved with introducing technology into an organization. Specifically, the Council stressed the need to develop a flexible architecture that could change as technology and the needs of the organization changed. The systems designed under this architecture should be developed incrementally using a modular approach to reduce risks and facilitate change. The Council also emphasized the need for senior government managers and oversight agencies to recognize that developing information technology was not a precise science and often entailed modifications to original plans. The Council

insisted that changes or evolutions in plans were not necessarily failures and that they might, in fact, be a normal part of the modernization process. I think that our own experience illustrates this point very well.

Another effort under way at the direction of this Subcommittee is a pilot program to assess the effectiveness of using video teleconferencing in our operations and provide perspectives on broader legislative branch use. The pilot is designed to assess GAO's mission, administrative, and training teleconferencing requirements. In addition, we will be alert to congressional-related applications, such as Member or staff communications with GAO project teams. Beginning next month, a 6-month pilot involving GAO headquarters and our Seattle Regional Office will begin. If the pilot results are favorable, we expect to continue testing for another 6-month period and add our San Francisco Regional Office to the project.

As you can see, we have successfully taken a number of actions to increase our efficiency and, as a result, have accomplished a great deal this past year. Although we continue to actively pursue ways of further enhancing efficiency, we need an effective, interim way to deal with the increasing demands being placed on us by the Congress. We are already stretched very thinly on jobs, and I am concerned that we may not be able to adequately cover the issues in a timely manner with current staff

levels. In other areas, we are being forced to delay or postpone work. I continuously monitor our resource usage and have taken action to redirect resources to meet the most critical needs. But there is no way for us to meet all the demands within the current staffing limitations. We need to fund up to our authorized staffing level of 5,100 and we need a minimal increase of 100 average positions for fiscal year 1992. As you may recall, I have asked for a staffing increase the last few years and have managed to continue to operate effectively without it; the situation is different now. We need the 100 average positions to

- increase our coverage of domestic banking and securities issues and program additional work in the domestic and international equities and futures markets areas and the Resolution Trust Corporation's management of assets from failed savings and loan institutions;

- respond to growing congressional interest in domestic issues, such as controlling the cost of health care, improving the quality of education, improving the safety of the FAA's air traffic control system, and reducing our energy dependence on imported oil;

- monitor implementation of the Chief Financial Officers Act of 1990 to include providing guidance and assistance to agencies and monitoring implementation of their programs and to augment our efforts to identify and report mismanagement, fraud, and abuse in the 14 high risk areas; and,

- in view of recent events in the Persian Gulf, to conduct reviews of logistical support arrangements needed for deploying and redeploying troops in Saudi Arabia and examine the effectiveness of weapons systems and changes in force structure.

In connection with our need for additional staffing, I might mention that about 100 of our average positions are devoted to details of GAO staff to congressional committees at their request. Title 31, section 734, of the U.S. Code requires us to respond to such requests, and we are happy to do so. However, such assignments limit staff availability and our flexibility to handle all the issues we are asked to look into and our increasing congressional work load. In many cases, we work with committee staff to see if their needs can be met through alternative arrangements.

Our other budget priority for fiscal year 1992 is to obtain funding necessary for us to carry out our plans to link microcomputers through networks.

Fiscal Year 1992 Request

For fiscal year 1992, we are requesting \$489,475,000 to fund 5,200 average positions and authority to use \$6.2 million in funds paid to us by the Department of Labor's Bureau of Labor Statistics and Treasury's Financial Management Service for their share of costs as tenants in the GAO Building.

This represents a \$76,260,000 increase over the fiscal year 1991 appropriation for salaries and expenses and a \$298,000 increase in funding from rent receipts. Over half of the increase from fiscal year 1991 (\$40.9 million) is needed to pay for mandatory pay increases and salary-related benefits and to cover inflation in costs for existing levels of service. This amount is required to maintain our existing capacity.

Another \$7.2 million represents the costs associated with an additional 100 average positions. The remaining \$28.2 million is needed for us to continue to achieve operational efficiencies and thus handle an increasing congressional work load with a minimal increase in our average positions. It includes increased funding for consultants and experts, travel, training and automatic data processing (ADP). Also included is funding to maintain our program of asbestos removal and renovation of our facilities to create efficient, professional work spaces equipped to handle the computing and telecommunications equipment.

We are requesting an increase of \$1 million for consulting and contract services in support of our audits and evaluations. As the programs we review continue to become more technical and complex, we need to acquire the services of consultants to provide expert assistance, particularly in those areas where we do not have the requisite staff expertise.

In addition to the normal contracting services that we procure in support of our work, we conducted tests, over the last 2 years, where we contracted for selected kinds of tasks, such as data gathering. The test showed that use of contract staff was a viable option to help us deal with our heavy work load.

In the travel area, we need \$1.2 million more in funding to increase the amount of time our evaluators spend in the field collecting and verifying data. We also need to increase supervisory travel to the work sites to ensure that jobs are progressing as planned.

We have also been emphasizing the need for continuing training of our senior executive staff, managers, evaluators and technical staff and have been expanding our training in more technical areas, such as the financial management and legal areas. We need to ensure that staff keep current in their areas of expertise and further sharpen their skills, so that our work in support of the Congress is of the highest quality. Therefore, we are requesting

an \$883,000 increase to permit greater use of educational institutions and to deliver more courses developed by our Training Institute and designed to meet our unique needs.

In the ADP area, we are requesting a \$10.1 million increase to support our existing technology and to introduce other efficiency-enhancing technology. As I noted earlier, our commitment to use technology to more effectively do our work, which you and the Subcommittee have supported, has yielded significant improvements in our responsiveness to Congress.

I urge your support in making available for our use the fiscal year 1990 funds that were held pending the Committee's review of the Shared Resources Project report. Several issues have been raised regarding that project that require further clarification. I hope however, that we can put to rest any concerns so that we can move ahead with our ADP program. The total moratorium on new purchases during the last several months is severely affecting our ability to meet our long-standing ADP microcomputer goals, as well as some operational needs.

Of the additional \$10.1 million we are requesting for fiscal year 1992, \$1.7 million is required to support the implementation of a GAO-wide computer network in addition to our requirements for stand-alone workstations. We believe that connecting staff and managers through networks is a further enhancement that will help us meet increasing work load demands.

We are requesting an increase of \$14.4 million to permit us to continue to operate and maintain the headquarters building, to remove the asbestos and upgrade our heating, ventilation, and air-conditioning system (HVAC). Work on the HVAC system must be completed before staff can reoccupy space from which asbestos will be removed during fiscal year 1991. In addition, the lease on our Atlanta Regional Office will expire in fiscal year 1992, and we will need funding for the staff to move to a new location.

International Congress of Supreme Audit Institutions

We are continuing preparations to host the Triennial Congress of the International Organization of Supreme Audit Institutions (INTOSAI) in October of 1992. As part of our role in hosting the Congress, we will welcome the INTOSAI Governing Board to Washington, DC for their annual meeting in October 1991. Much of the fiscal year 1991 funding of \$400,000 will be used to support this preliminary meeting. For fiscal year 1992 we will need \$1.8 million. All INTOSAI programs and products must be completed in the five official INTOSAI languages, and the bulk of the funding is needed for language services. INTOSAI was founded in 1953, and the INTOSAI Congresses have been held in 13 countries around the world. This is the first time that the United States has agreed to host the meetings, and we are looking forward to this opportunity to make a significant contribution to the international financial management community. Since a number of the member countries are recipients of U.S. assistance, we

believe that, through our active participation in this organization, we can help them develop better accounting and auditing procedures which will result in better funds usage.

Conclusion

In conclusion, I want to thank you, Mr. Chairman and members of this Subcommittee, once again, for your support of and investment in GAO over the last several years. I urge that you continue to support our efforts to help the Congress deal with the challenges facing it by approving a small staffing increase and the funding necessary to achieve our objectives in the technology area.