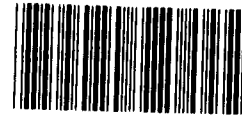


GAO

Testimony



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Fiscal Year 1993 Budget Estimates for the  
General Accounting Office

Statement of  
Charles A. Bowsher  
Comptroller General of the United States

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



Mr. Chairman and Members of the Subcommittee:

I am happy to be here today to discuss our fiscal year 1993 funding requirements. Before I do so, let me start by summarizing briefly our accomplishments for the past year.

### Fiscal Year 1991 Accomplishments

I am pleased to report that due to the support of this Subcommittee fiscal year 1991 was another highly productive year for us. We have continued to focus our efforts on how best to serve the needs of the Congress by increasing our responsiveness, emphasizing work on the significant national issues, and producing high-quality and timely products and services. In this regard, we achieved a further reduction in the average length of our assignments and we believe that the quality and quantity of GAO products issued this past fiscal year was at an all time high.

During the past year we accomplished many things. Some of the more important are as follows:

- We issued 1,381 audit and evaluation products, including 950 reports to the Congress and agency officials, 154 formal congressional briefings, and 277 congressional testimonies delivered by 57 different members of our senior staff;
- We completed 1,465 congressional assignments and received 1,491 new ones;

- We produced 3,906 legal decisions and opinions;
- We issued 1,652 new recommendations citing specific actions that the Congress and federal agencies could undertake to improve government operations and reduce costs; and
- We contributed to legislative and executive actions that produced more than \$33 billion in measurable financial benefits or \$82 for every dollar appropriated to us last year.

In addition, we had 122 nonmonetary accomplishments that led to substantive improvements in government operations and services.

To respond to widespread congressional concerns, and because we believe that the government continues to be plagued by serious breakdowns of internal control and financial management systems, we are giving special emphasis in our work to agencies and programs that seem highly susceptible to mismanagement, fraud, and abuse. As of fiscal year 1991, we had begun 200 assignments in the 16 targeted high-risk areas for fraud, waste, and abuse, in addition to many assessments of the costs and the effectiveness of other federal programs.

We have accomplished much this past year. Let me now discuss some specific examples of work done on issues of national importance.

- In the financial institutions area, we reported on problems in the safety and the soundness of the nation's financial institutions and markets; the adequacy of the regulatory

structure to deal with the industry; the rising costs of resolving failed thrifts; and the soundness of the deposit insurance funds. Through our work, we identified significant weaknesses in the regulation of government-sponsored enterprises and credit unions. Many of our recommendations for resolving the thrift crisis and related problems were implemented, such as the need to establish a new regulatory structure and strengthen the regulators' authorities, and the capital and accounting rules.

-- In the financial management area, we assisted the House Committee on Government Operations as it considered "M" Account legislation and the Cash Management Improvement Act of 1990. Both pieces of legislation were enacted late in 1990. We also worked closely with OMB, the agencies, and the inspectors general on all facets of the Chief Financial Officers Act (CFO) of 1990, which requires the establishment of CFO organizations, development of modern financial systems, and reporting and auditing of financial results. We also took the lead for "piloting" three of the major financial audits stipulated by the act--audits of the Internal Revenue Service, the U.S. Customs Service, and the Army.

-- In the tax administration area, GAO work over the last 5 years resulted in tax law changes that restricted long-term contractor use of the complete contract method of accounting for income tax purposes which has resulted in \$6 billion in additional revenue. We also contributed to several tax simplification bills. In

addition, our work on IRS's accounts receivable, which once again grew faster than the rate of collections to exceed \$100 billion, prompted the Congress to extend the statute of limitations to give IRS 4 more years to collect on these accounts.

-- In the defense area, we scrutinized the feasibility of military procurements and evaluated the services' operational and equipment maintenance budget requests. Adoption of our recommendations resulted in the cancellation or reduction of several procurement and acquisition programs, improved maintenance operations, better personnel practices, more efficient logistics activities, and improved foreign and economic aid projects.

-- In the health area, we conducted reviews aimed at improving the nation's health care system. Because of our recommendations, the Congress has limited reimbursement for certain health services, medical equipment, and clinical laboratory services, avoiding substantial funding for national health care. In addition, our work resulted in the Department of Health and Human Services being granted tougher exclusion authority to better protect Medicare and Medicaid beneficiaries from being treated by incompetent and unethical practitioners.

-- In the agriculture area, our work helped this vital sector of the economy respond better to market forces. Our work influenced every major title of the 1990 Farm Bill and has laid the groundwork needed for fundamental change. For example, our role in promoting the flexible, market-oriented base should result in substantial savings. Based on our work, wool, mohair, and honey payments to program participants were capped, and planting flexibility was increased. Another one of our recommendations, now reflected in legislation, requires the Department of Agriculture to develop an alternative milk-pricing system to improve dairy price signals. Since passage of the farm bill, we have provided the Congress with a number of analyses resulting in federal improvements in 1991. For example, based on GAO analysis, the USDA Packers and Stockyards Administration is improving its monitoring methods for anticompetitive practices to maintain fair and credible livestock markets.

-- In the nuclear safety area, our recommendations addressed many issues, including the estimated cost of cleanup efforts at various nuclear waste sites managed by DOE; strengthening DOE's management policies, practices, and controls over its major contractors; assessing the vulnerability and potential for nuclear reaction or explosion at major nuclear waste complexes or repositories; and assessing health-related risks of workers at nuclear waste complexes. Our work has led to an increased understanding of the enormous environmental and safety problems

within the Department of Energy's nuclear weapons complex, and based on some of our recommendations, DOE has acted to strengthen its management practices and controls over its major contractors.

-- In the information management area, our reports on major systems acquisitions that were poorly planned or designed, such as the multibillion dollar systems for Strategic Defense Initiative and IRS's Corporate Files On-Line initiative, led the Congress and the agencies to delay or improve these procurements. Based on our review of the Customs Service, internal controls were improved in the automated revenue collections area. Other GAO reviews of the Resolution Trust Corporation, the Social Security Administration, and the Justice Department resulted in specific organizational and policy changes to improve planning and management of information resources systems and programs. Most recently, our work at the National Institutes of Health showed that due to lack of leadership and poor planning the agency spent more than \$16 million on computers it did not need and contracted for a major computer system ill-suited for its primary users--biomedical research scientists.

-- In the transportation area, we continued to monitor the Federal Aviation Administration's costly air traffic control modernization program. Our work has been instrumental in helping the Congress decide which system to fund and when and has helped put this important program on track. In addition, GAO work has

assisted the Congress by helping to shape the \$151 billion national highways and mass transit legislation that will preserve the federal investment in the interstate highway system and help provide funding to minimize air pollution.

I think these examples illustrate that our work is focused on issues of national importance and is improving the operations and programs of the federal government.

Over the next two years, our work will focus on high-visibility issues of both congressional and national concern and major oversight activities and initiatives, including efforts focusing on the 16 targeted high-risk areas. We will devote resources to work on such major issues as the downsizing of the military; spiralling health costs; unemployment; foreign trade; education; transportation; financial institutions' modernization and reforms; and monitoring the implementation of the CFO Act.

Let me now give an update on our continuing efforts to further enhance our efficiency and effectiveness.

#### Operational Improvements

On a continuing basis, since I have been at GAO, we have taken action to better focus our efforts to meet a growing congressional work load, increase our responsiveness to the



Congress, increase the quality of our work, and position ourselves to effectively address rapid change in the country and throughout the world. We have implemented many changes in our systems for recruiting, training and rewarding staff and in our process and procedures for planning and performing assignments that have helped us move closer to achieving these objectives.

In addition, other major initiatives have contributed to our achievements of the last several years and will continue to promote staff efficiency and effectiveness. I would like to discuss these initiatives because they are critical to our continued success in meeting the needs of the Congress. The initiatives I am referring to are the facilities project, our information resources management program, quality management, and pay for performance.

#### Improving the Work Environment

We are in the midst of a major asbestos removal and facilities renovation project at our headquarters building. As you are aware, the Congress approved legislation giving us ownership of the building in fiscal year 1989. Since then we have used funding that would have been paid to the General Services Administration for rental of the building to work on this very important project. Since we obtained ownership of the building, we have consistently requested less money for its operation, maintenance, and asbestos removal than we would have requested

for rent payments to GSA. We have completed work on the seventh and first floors and have removed asbestos from half of the second and fourth floors.

Our current plans call for us to complete the equivalent of one floor a year, which would result in completing the project in 1996. At that time, we will move most of our Washington, D.C., audit sites into the GAO Building as another way of controlling operating costs while achieving greater flexibility in staffing jobs by creating contiguous work groups.

Several cost concerns make it essential that we keep this project on schedule, and if possible, accelerate it. Because our staff cannot occupy a floor when it is undergoing asbestos removal and renovation, we currently have some staff temporarily located in rented office space--generally in the vicinity of the GAO Building. The more quickly we complete the project, the more quickly we can reduce our rent bill for this temporary space.

Also, we currently have two rent-paying tenants in the GAO Building, the Bureau of Labor Statistics (BLS) and a bureau of the Department of the Treasury. When BLS and Treasury move, we will lose that source of rent revenue, which has helped us offset maintenance and renovation costs. About \$5 million of the increase in our facilities maintenance request for fiscal year 1993 is the result of the planned move of BLS to the old Post

Office Building near Union Station. Treasury is also scheduled to move in the next year or so. To achieve a compensating reduction in our rental expenses we must prepare the former BLS and Treasury space for GAO staff occupancy as soon as possible.

Finally, as you know, it is a buyers market in the construction industry right now. We have taken advantage of this in the recent contracts that we have negotiated. The more work that we can do while the market is favorable, the more we will be able to limit the overall cost of the project.

During fiscal year 1993, we are requesting funding to allow for completing work on another floor of the building and to continue upgrading the building support systems.

#### Enhancing Information Resources and Communications

As you know, advances in the information sciences, especially microcomputer technology, have revolutionized the way modern organizations function. This is especially true for organizations such as ours, in which information is both a major input and the principal product. Today microcomputers are as important to our staff as calculators were 10 years ago. Our new employees are accustomed to having the latest computer technology available to them, and they expect GAO to provide such equipment.

Since 1985 we have, with the Subcommittee's support, achieved about a tenfold increase in our computer capability. We hope ultimately to achieve our goal of providing each staff member an electronic work station with appropriate computing hardware and software and telecommunications capabilities. And equally important, we will seek to maintain those capabilities consistent with advancing standards.

Rapidly advancing technology quickly turns today's state-of-the-art work station into tomorrow's surplus equipment. For example, software manufacturers are continually upgrading their packages, giving us improved word processing, mathematical calculation, and data base management capabilities. These advances quickly become the industry standard, meaning that the new software is used by the public agencies and private-sector organizations where we gather our information as well as by those that help print and publish our reports. Our mission necessitates that we interact effectively with these organizations. This in turn means that all work station elements--hardware and software--must be kept reasonably up-to-date.

An additional aspect of modernizing our computerized operations relates to networking. The interconnection of individual computer work stations is essential to efficiently exchanging information, which is so vital to GAO's work. With the assistance of your Subcommittee and Surveys and Investigations

staff, we have made significant progress on our network pilot. We have provided the Subcommittee with a plan to evaluate network performance and measure the associated benefits to our mission work.

Pursuant to the approved plan, we established a project team of GAO evaluators and highly qualified technical professionals supplemented by contractor support with expertise in network planning and implementation. This Mission Support Team has set up a reliable pilot test network serving two headquarters divisions and our San Francisco Regional Office.

During the next year and a half, we will be evaluating the benefits to our work of using commercially available software as well as GAO-developed applications on a network.

In pursuing our pilot project, which interconnects only those organizational units embraced by the project--two divisions and a regional office--we have learned a critical lesson that we would like to point out to the Subcommittee. Networking all of GAO would more efficiently use scarce funds by enabling us to provide at less cost (through consolidated licensing arrangements) many tools that we require, software being the principal example. And apart from any specific sophisticated applications, availability of a network would clearly provide efficiencies in communication and general data sharing throughout GAO.

We estimate that the funds freed up would pay for the costs of network equipment and cabling, which are about \$4 million. We would appreciate the Subcommittee's support for our using network technology throughout GAO within the requested funding levels. This would allow us to establish a base network upon which to build specific applications for maximizing the use of technology in structuring our work processes.

Another challenge we undertook this year with the support of this Subcommittee and involvement of the Architect of the Capitol was a pilot designed to test the benefits of video-conferencing. The 6-month test between headquarters and the Seattle Regional Office clearly demonstrated that this technology benefits our organizational effectiveness. We identified many efficiency and effectiveness improvements: greater participation of essential staff in critical assignment meetings; increased preparation for meetings that led to faster decision-making; avoidance of travel time and cost; and cost effective execution of human resource and administrative functions, such as employment interviews and training. Because the pilot showed that we can achieve gains in both efficiency and effectiveness, we would like to continue to use this technology at the existing locations and expand its use to San Francisco, Sacramento, and Los Angeles in fiscal year 1992.

We have also made several major changes in our telecommunications services due to this Subcommittee's start-up of the Legislative Branch-Wide Telecommunications Initiative. As part of that initiative, GAO, in fiscal year 1991, completed the agency's transition from GSA's FTS long-distance telecommunications services to MCI, resulting in reduced telecommunications costs. We are currently upgrading local voice services by converting to a new digital telecommunications system for the Washington, D.C. area. This installation is expected to be completed during fiscal year 1993.

#### Implementing Quality Management

Staff play an extremely important role in achieving operational efficiencies. To recognize this, we have implemented many programs during the years to encourage staff suggestions, such as our Operations Improvement Program. While this program has succeeded in eliciting some excellent ideas, we believe that we need a more systemic approach to change our traditional management approach to assignments. As such, we have been studying quality management, and I have concluded that this approach holds great promise for us. Recently, I established a high-level Quality Council made up of our senior managers to direct and guide a far-reaching and long-term program designed to continuously improve the level and quality of service GAO provides to the Congress and the public. Under this program we will be applying some of the quality management concepts and

techniques that leading private-sector firms have used so successfully. An important part of this program will involve regularly soliciting input from the most important users of GAO's products and services--Members of Congress and their staffs.

#### Recognizing and Rewarding Staff

We are continuing with our Pay-for-Performance system, which establishes a direct link between pay and performance. During this past year, our administrative staff were switched to a performance-based bonus system. Also, we continued to evaluate and revise the PFP system in response to suggestions from managers and staff. We will continue to evaluate and assess the degree to which modifications in our reward, recognition and compensation programs are needed to ensure pay for performance compatibility with the agency's quality improvement plan.

#### Other Initiatives

There are three other initiatives that I need to discuss today. The first of these is quality assurance and control activities. Questions have been raised during the years about whether GAO, as the independent auditor and evaluator of executive branch programs and activities, is subject to external audit or quality review. Although we have in place a well-documented system of quality controls to ensure that our audit and evaluation activities are conducted with the highest degree of professionalism and in conformity with all applicable quality



standards, I took action in 1983 to establish an annual internal quality review program. This program, called the Post Assignment Quality Review System, is somewhat similar to the peer review programs applied by CPA firms and most other government auditing organizations.

This past year I sought independent counsel on our quality assurance program by establishing a special quality Control Review Board composed of five people from the private sector with extensive public service experience. Further, as I mentioned earlier, we established a high-level Quality Council made up of senior managers to direct and guide our quality management effort.

A second initiative involves changing policies affecting GAO relationships with congressional requesters. Based on concerns expressed by minority Members in the House and the Senate, GAO has been discussing with legislative leaders several possible changes in its policies and procedures. I'd like to discuss our current thinking and invite your advice and support.

- First, we have strongly reinforced our policy of including Minority Members and staff in early discussions of GAO work plans to ensure that we are considering their interests and priorities and that they are aware of the objectives, focus, and strategies for our work in their interest areas.

- We have also decided that GAO will no longer accept assignments in cases in which the requester is unwilling to be identified as the source of the request. We will of

course treat confidentially any aspects of an assignment in which disclosure could jeopardize the success of the work or otherwise be inappropriate.

- We are sending a monthly list of all new job starts to the Senate and House Majority and Minority leadership. This is in response to a requirement in the conference report on the fiscal year 1992 legislative appropriations bill. This list, along with identifying requesters when asked, will allow congressional committees and Members to become aware of new GAO assignments early, and, if they desire, to seek further information about the work from the requesters.
- We have also reduced the number of congressional detailees serving unusually long details and have begun to exercise procedures to ascertain whether appropriate approvals have been given in each House. We are also considering proposals that would require (1) committees to provide reimbursement for detailees after a fixed period, (2) that staff members return to GAO for at least 1 year after a detail before being considered for another detail, and (3) limiting either the total number of GAO detailees to the Congress or to any one committee or both.

Other policy changes we are studying include the following:

- exercising greater control over decisions about when and how to obtain agency comments on congressionally requested work; in many cases we could provide the agency an opportunity to comment, enhance the quality of our reports, and still satisfy the needs of congressional requesters in a timely manner;
- Reducing the current 30-day hold period, during which requesters can limit distribution of GAO's final reports to others in the Congress; and
- providing advance copies of testimony by GAO witnesses, as well as copies of any relevant reports, concurrently to both the committee's Chair and Ranking Minority Member.

Planning for the 1992 Congress of the International Organization of Supreme Audit Institutions

The International Organization of Supreme Audit Institutions (INTOSAI) is the professional organization of the heads of

national audit offices in countries that belong to the United Nations. Through INTOSAI, these leaders, who play a major role in auditing and promoting sound financial management policies, share information and experiences about the accounting and evaluation challenges facing them. Every 3 years, the members of INTOSAI meet in an International Congress of Supreme Audit Institutions (INCOSAI). Over the years, every major country has hosted the Congress except the United States. In view of this, GAO, as the U.S. representative to INTOSAI for more than 20 years, requested and obtained congressional approval to host the Governing Board meeting in 1991 and the INTOSAI Congress in 1992.

This past October, we hosted the annual meeting of the INTOSAI governing board which was well received by all member countries. This next October we will host the 5-day INTOSAI Congress, for which planning began in fiscal year 1987 and will continue in the months remaining. The INTOSAI Congress is being designed to promote the sharing of expertise and enhance the audit capabilities of INTOSAI members.

We are requesting an increase of \$391,000 in funding for this initiative as part of our fiscal year 1993 appropriation request.

#### Fiscal Year 1993 Request

For fiscal year 1993, we are requesting \$487,483,000 to support our current staffing level of 5,062 average positions and

authority to use \$1.2 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 \$44,836,000 increase over the fiscal year 1992 appropriation for salaries and expenses and a \$5,000,000 decrease in funding from rent receipts. The decrease in rent receipts is due to the planned move of the Department of Labor to another building.

Eighty-one percent (\$36,167,000) of the requested increase is needed to support our current level of staffing and provide for the same level of goods and services in support of our audit and evaluation work as in fiscal year 1992. Specifically, this amount will fund mandatory cost increases for personnel compensation and benefits, including cost-of-living adjustments, promotions, and merit and within-grade increases. It also provides funding to cover anticipated inflationary increases in the costs of goods and services. In addition, it includes funding to make up for the \$5.0 million loss of rent receipts due to the impending move of one of our tenants. The rent receipts are used in support of our facilities program.

The remaining 19 percent (\$8,669,000) is needed for GAO to continue to achieve the operational efficiencies necessary for us

to handle our growing congressional work load without any increase in staffing. It includes increased funding for travel, asbestos removal and renovation of the GAO building as well as information resources, and training.

### Conclusion

In conclusion, I want to thank you, Mr. Chairman and the members of this Subcommittee for your past support of GAO. I urge your continued support as we strive to become more efficient and effective in meeting the needs of the Congress.