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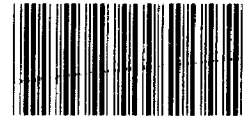
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Statement of
Harry S. Havens
Director, Program Analysis Division
before the
Subcommittee on Legislation and National Security
Committee on Government Operations
House of Representatives

HSE01506

on

Control of Year-end Spending



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss proposals for strengthening controls over year-end spending.

This is not a new issue. There is a recurring concern expressed publicly and in Congress that wasteful Government spending may result from agency practices of obligating substantial amounts of funds during the last weeks and months of the fiscal year in order to keep them from lapsing at year-end. I want to emphasize that just because funds are obligated or spent near the end of the year, ^{when} ~~it~~ does not automatically mean that they were spent wastefully or inappropriately. But, where monitoring of budget execution

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is not effective, abuses can and do occur. The General Accounting Office has reported that presently the monitoring of budget execution is not as effective as it could and should be, that year-end spending is disproportionately high at this time and that there have been contracting problems.

In an effort to deal with these problems, the House Committee on Post Office and Civil Service reported out H.R. 4717, concerning personnel ceilings and contracting out, section 3 of which would require that agencies obligate not more than 20 percent of their funds in the last 2 months of the fiscal year.

Generally, we do not favor these types of limitations because they are difficult to administer and because they address a symptom rather than correcting underlying management problems. In this case, however, we believe legislative action is warranted as a means of getting a handle on the basic problem.

In our view, the underlying problem is that, over the years, the agencies and the Office of Management and Budget have not effectively monitored and managed the execution of the budget. This does not mean that effective monitoring would eliminate all year-end spending surges. In some cases, seasonal variation in obligation rates is inherent in the nature of a program. Numerous examples of this will undoubtedly be cited during the course of these hearings.

In other cases, delays in the enactment of appropriations disrupt agency operating plans and may lead to year-end surges.

Nevertheless, we believe it is fair to assume that overall obligation rates should be reasonably evenly distributed over the year, and that the burden of proof should rest on those managers who see a need to depart from such a pattern to justify this departure.

The Congress has created a mechanism--the apportionment process--which was intended to be the primary means for monitoring and controlling the efficient and effective use of funds. The law, generally known as the Anti-Deficiency Act (31 U.S.C. 665), gives OMB the responsibility and authority to manage budget execution through the apportionment process. Thus we believe that the apportionment process is the appropriate vehicle for administering any limitation on year-end spending. Accordingly, ³ ~~we~~ ^{we} recommend an alternative to the present section ~~of~~ of H.R. 4717. Our suggested language is submitted as an attachment to my statement. The main features of this approach are as follows:

- It ~~would~~ ^{to} use the existing apportionment process to administer the limitation, thereby assigning responsibility to those in the executive branch who should be monitoring and controlling spending.

The alternative

--~~It~~ would have general applicability to all obligational authority available and planned for use in a fiscal year, thereby basing the limitation on the agencies' financial plans for each fiscal year and covering all uses, not just contractual services.

--~~It~~ would limit total agency spending in the last 2 months of each fiscal year to 20 percent of planned spending for the year.

--~~It~~ ^{and} would allow the Director of the Office of Management and Budget to authorize exceptions to avoid serious disruption to the execution of a program, thereby allowing some executive flexibility, but it would require that departures be reported to the Congress.

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the agency
--~~It~~ would be in effect for 3 fiscal years, thereby allowing the executive time to strengthen the budget execution and procurement processes and, perhaps, eliminate the need for the limitation.

--~~It~~ would require (1) that after the first 2 years, the Director report to the Congress on the results of administration of this limitation and actions taken to strengthen the budget execution and procurement processes and to make recommendations concerning the continuation of the limitation and (2) that the Comptroller General review the report and provide the Congress with his analysis and recommendations;

thereby, providing the Congress with information upon which to decide whether to continue the limitation or allow it to expire.

--It would exempt actions taken to satisfy this limitation from the reporting requirements of the Impoundment Control Act of 1974.

We must recognize that administering this limitation will not be easy. Nor will it, alone, solve all the problems associated with inadequate management of budget execution. For example:

--The limitation on the quantity of year-end spending will not assure that funds spent under the limitation are spent wisely.

--In the absence of a carefully developed--and carefully monitored--agency spending plan, the surge in spending could just be advanced by 2 months, rather than becoming a smoother process.

--The timely and reliable data on obligations needed to assess whether the limitation is being complied with may not always be available.

--A limitation of 20 percent in the last 2 months on total planned spending by a department or agency will still allow considerable flexibility for variation among programs.

Notwithstanding these considerations, ^{CAP} we support the temporary use of a limitation on year-end spending as a means

of conveying Congress' concern--not only with year-end spending
itself--but with the need to strengthen the budget execution
and procurement processes/

That concludes my prepared statement. I would be pleased
to answer questions.

SUGGESTED ALTERNATIVE FOR
SECTION 3 of H.R. 4717

Section 3. Section 3679(c) of the Revised Statutes, as amended (31 U.S.C. 665), is amended by adding the following new paragraph:

"(5)(A) In exercising his apportionment authority under this section for the fiscal years ending September 30, 1981, through September 30, 1983, the Director of the Office of Management and Budget shall assure that not more than 20 percent of the total budget authority available to and planned for use by each agency for each such fiscal year may be obligated during the last two calendar months of each fiscal year. Upon his determination that full compliance with the requirements of this subparagraph would seriously disrupt the execution of an agency program, the Director may authorize such departures from these requirements as are necessary to avoid the disruption.

"(B) The Director shall keep the Congress fully informed of actions taken pursuant to subparagraph (A) for each covered fiscal year. The Director shall also report to the Congress all departures from the percentage requirements of subparagraph (A), as authorized therein, and the reasons for such departures. Not later than

December 31, 1982, the Director shall submit a report to the Congress, with a copy to the Comptroller General, on the results and impacts of this paragraph and actions taken thereunder, including effects upon procurement and apportionment processes, together with the Director's recommendations concerning continuation of the requirements or any revisions. The Comptroller General shall promptly review the Director's report under the preceding sentence and submit his analysis and recommendations to the Congress.

"(C) Any reserves established or other actions taken in connection with the apportionment process solely for the purpose of satisfying the requirements of subparagraph (A) shall be exempt from the last sentence of subsection (c)(2) of this section and from sections 1012(a) and 1013(a) of the Impoundment Control Act of 1974. Nothing herein affects the authority of the Comptroller General under section 1015 of the Impoundment Control Act to report a reserve or deferral to the Congress if he concludes that the exemption provision of this subparagraph is not applicable."