

GAO

Testimony

Before the Subcommittee on Legislative, Committee on
Appropriations, House of Representatives

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FISCAL YEAR 2000

**Budget Request for the U.S.
General Accounting Office**

Statement of David M. Walker,
Comptroller General of the United States



Mr. Chairman and Members of the Subcommittee:

It is a great pleasure for me to appear before you today as the Comptroller General of the United States. I am delighted and honored to be a member of the General Accounting Office (GAO) team.

GAO has consistently been viewed as one of the most respected agencies in the federal government. It provides the Congress and the American people with timely, accurate, clear, candid, and useful information on current, emerging, and longer-range government operational and program issues. GAO is a multi-disciplinary, professional service organization that helps the Congress fulfill its oversight responsibilities. Compared to private sector professional service organizations, GAO's work is more diverse, more complex, and more important, because we are doing the people's work. In addition, while many organizations may assert their ability to do some of the audit evaluation and analytical work that GAO does, they cannot come close to the level of independence, diversity of skills or years of institutional knowledge of GAO. In fact, GAO is a brand name that is recognized and valued not only in the United States but around the world.

GAO: Committed To Accountability • Integrity • Reliability

GAO is dedicated to "good government" through its commitment to three core values: accountability, integrity, and reliability. These core values describe what we do, how we do it, and how we want it to be received.

Accountability describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to assure accountability to the American people. GAO's evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists, and other multi-disciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government, both in fact and in the eyes of the American public. GAO accomplishes its mission through a variety of activities that include financial audits, program reviews, investigations, legal support, and policy and program analyses.

Integrity describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, non-partisan, non-ideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work assures both.

Reliability describes GAO's goal for how its work is viewed by the Congress and the American public. GAO produces high quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

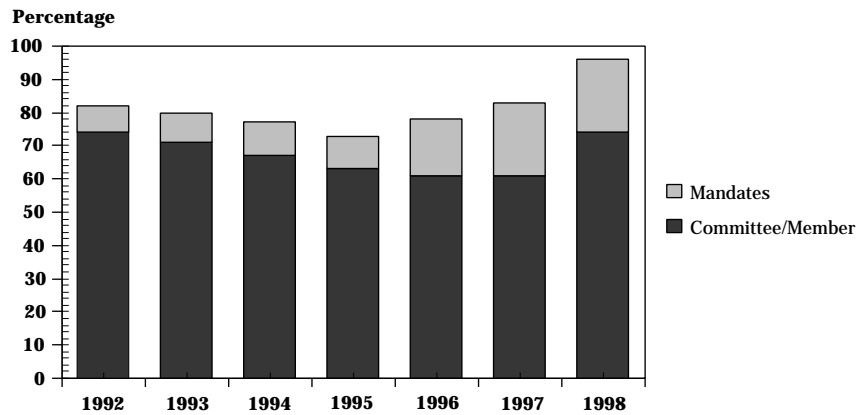
Goals for GAO

I have three primary goals for GAO. First, I believe that GAO should be a world-class organization, one that leads by example. In every major operational area, from strategic planning to financial affairs, information technology, human capital practices, and customer service, GAO should be the federal government's model for best practices. We are the agency that reviews others. As a result, we must lead by example. Second, I believe that GAO is fundamentally about "good government," and that GAO should play a major role in helping to continuously improve the efficiency, effectiveness, accountability, and integrity of the federal government. Third, I believe that what Americans think of their government and of their public servants is important, and that one goal of GAO's activities should be to improve the public's respect for and confidence in their government.

GAO Today: Service to the Congress and American People

GAO provides an invaluable service to the Congress and the American people. It makes significant contributions to congressional oversight and decision making. As illustrated in figure 1, over the past 7 years, the percentage of GAO's audit work conducted at the direction of the Congress has increased.

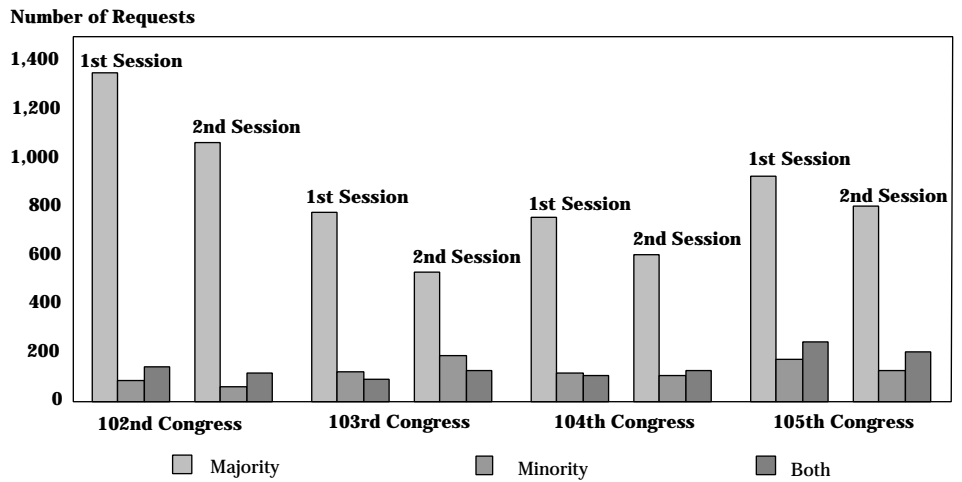
Figure 1: GAO Work Conducted for the Congress



In fiscal year 1992, about 82 percent of GAO's audit work was conducted for a congressional committee, member of the Congress, or legislative mandate; the comparable figure in fiscal year 1998 was 96 percent. Of particular note during this period is the almost three-fold increase in congressionally mandated reviews. Having such a large proportion of GAO's work congressionally directed, however, limits our flexibility in initiating program reviews under GAO's basic legislative authority that contributes significantly to helping the Congress identify and address important emerging and longer-term national issues. GAO also fulfills other important functions, such as issuing generally accepted auditing and financial management standards for all levels of government entities and legal decisions on matters involving government revenues and expenditures.

As I stated previously, GAO's work must be, among other things, non-partisan and non-ideological. As illustrated in the following graphic, GAO has continuously honored the requests of the majority and minority parties of the Congress over this 7-year period, regardless of who was in power. The American people will decide who the majority and minority parties are, but we must serve both. At the same time, the majority party, whichever party that is, will obviously command greater resources from GAO, since with majority status comes the responsibility for setting the legislative agenda. At the same time, the minority party, whichever party that is, must have access to some GAO resources. In addition, we hope to encourage more bipartisan and bicameral requests on issues of mutual interest and concern.

Figure 2: Majority and Minority Usage for GAO's Work



Return on Investment

GAO provides significant financial benefits in return for the dollars that the Congress and the American people invest in it. In fiscal year 1998, for every dollar invested in GAO, the American people received a financial benefit of \$58. As illustrated in the following table, the return on the investment in GAO has averaged over \$20 billion over the last 7-year period. In addition to these financial benefits, GAO's work resulted in or contributed to numerous improvements in the efficiency and effectiveness of government operations and services, thereby enhancing taxpayers' confidence and trust in their government.

Table 1: Financial Return on Investment in GAO (FY 1992 - FY 1998)

Fiscal Year	Financial Benefits (\$ in millions)	Benefits per \$ Appropriated
1992	\$36,191	\$82
1993	14,529	33
1994	19,456	45
1995	15,831	36
1996	17,265	46
1997	20,935	63
1998	19,716	58
Average	\$20,560	\$52

Opportunities to Enhance GAO Services to the Congress

In the short time that I have been in office, I have discovered that GAO has done a lot of things right over the past years. But I also believe in continuous improvement and in leading by example. Based on information gathered during my nomination and confirmation process, meetings with congressional members and GAO's senior management team, and visits to GAO headquarters and field offices, I have identified a number of areas in which I believe that GAO can strengthen its services to the Congress and the American people. Let me share with you some of my preliminary observations and how I plan to go about addressing them.

Actions Initiated Thus Far

During this fiscal year, I am taking a number of actions to enhance GAO's operations and services to the Congress. I have already begun to implement a new strategic planning process, which will be completed before the end of the year, if not sooner. We will be taking a broader, thematic look at the issues facing the government and the nation, while employing a multi-dimensional matrix management approach for addressing these issues. My goal is to take advantage of GAO's strength as a multi-disciplinary professional services organization and build a body of work to help the Congress deal with these emerging issues in a timely fashion, before they become crises.

I am also taking steps to enhance GAO's interface with its client—the Congress. GAO must make sure it has clearly defined, transparent, and consistent guidelines governing our relations with the Congress, no matter

which party is the majority and which is the minority. By the end of this year, I also plan to have a program in place for gauging, through direct contact with congressional leaders and members, the level of satisfaction with GAO's products and services. I personally will meet at least annually with the top congressional leaders, and other top GAO executives will meet with key committee leaders.

Last, I also am instituting a matrix management approach to how GAO does its work. Matrix management means taking an integrated approach to mission accomplishment, transcending the boundaries among organizational components and functions, so that the capacity of the whole will exceed that of its parts. The issues with which the Congress must contend are often multidimensional and cross-cutting, and the questions coming GAO's way will be increasingly diverse, complex, and demanding. Matrix management is a key to helping the Congress find integrated solutions to the complex issues facing the nation. Importantly, GAO is a major asset to the Congress in this regard, since it is one of the most, if not the most, diverse and experienced professional services firm on earth. In addition, all GAO professionals are dedicated public servants who put the interests of the Congress, the nation, and the American people ahead of their own personal interests.

Longer-Term Actions

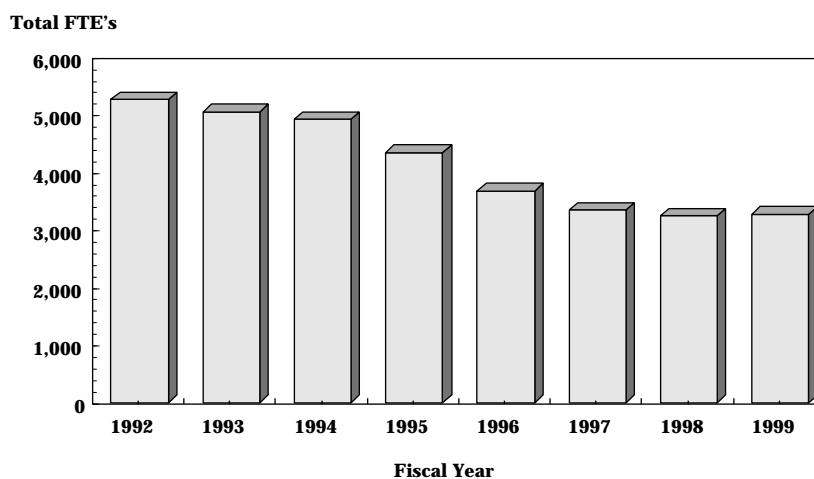
Because of the important role that it has in government, GAO needs to be a strong, well-managed organization that sets the standard for "good government" and leads by example. However, as a result of actions taken to achieve its recent downsizing, GAO is facing several immediate human capital, technology, and work process challenges that must be addressed. At the same time, each of these areas needs an in-depth study to determine the best course of action over the longer-term before any major changes or new investments are made. After all, we must make sure that we are getting the most from our current resource allocation before we ask for more.

GAO's past 7 years: In 1992, GAO began its downsizing efforts with the implementation of a hiring freeze. This was soon followed by a 1995, congressionally mandated, 25-percent nominal funding reduction over 2 years. This funding reduction, however, did not take into account uncontrollable inflation and mandatory pay increases, and separation costs for staff leaving GAO service. As a result, GAO had to take dramatic actions to achieve the mandated funding reduction in such a short time period, which ultimately resulted in a much larger reduction in staff than contemplated. It instituted a reduction-in-force; closed regional offices;

imposed a 5-year hiring freeze; eliminated performance rewards; curtailed technology investments; and reduced travel, training, supplies, and other support costs to achieve the overall mandated reduction in spending. GAO is now facing a number of critical human capital, information technology, and work process challenges that it needs to address.

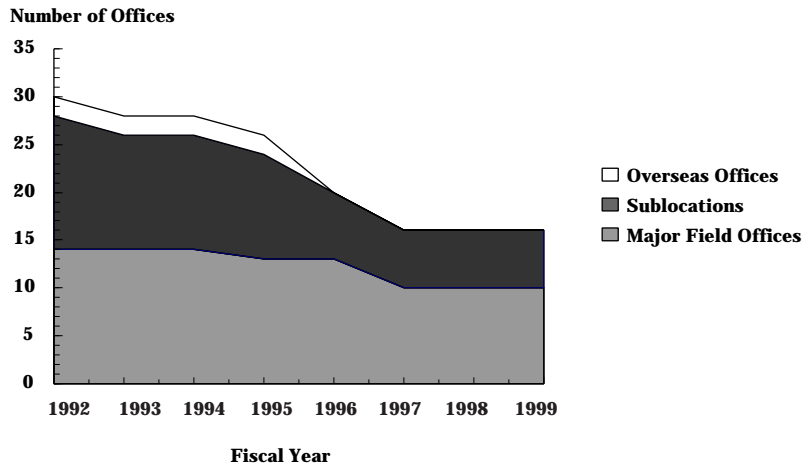
GAO is a much smaller organization today than it was in 1992. During the 7-year downsizing period, GAO's full-time equivalent (FTE) staffing level was reduced by 39 percent. As illustrated below, GAO had a staffing level of 5,325 FTEs in fiscal year 1992. By fiscal year 1998, its staffing level was reduced to 3,245 FTEs.

Figure 3: GAO Total FTE Levels (FY 1992 - FY 1999)



During its downsizing, GAO reduced the number of its field offices from 30 in fiscal year 1992 to 16 locations today. This reduction included closing 4 major field offices, 8 sublocations, and 2 overseas offices, as illustrated in the following graphic.

Figure 4: GAO Field Offices (FY 1992 - FY 1999)

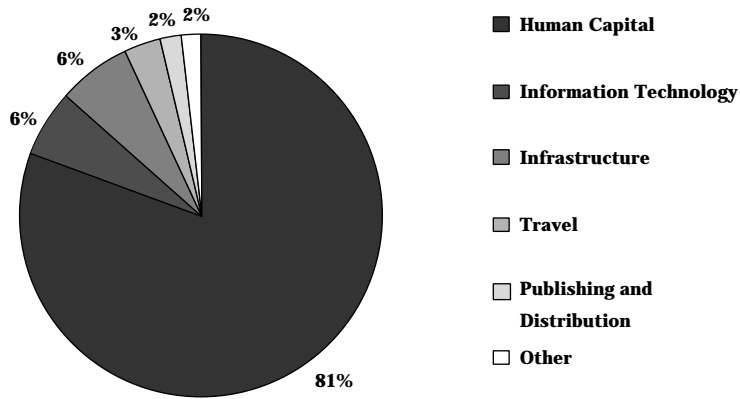


While GAO has recently begun taking steps toward reinvigorating its organization and workforce following the downsizing period, I believe a number of things need to be addressed to make GAO as strong as it needs to be to effectively and efficiently fulfill its mission and serve the needs of the Congress and the American people. The following represent some of the key human capital, technology, and work process issues that GAO faces today.

Human capital issues

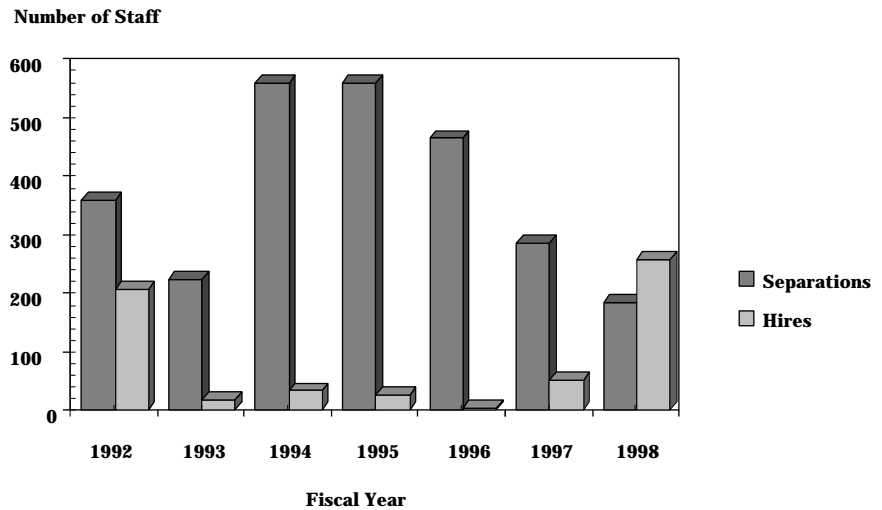
Human capital is GAO's most important asset. As illustrated in the following graphic, over 80 percent of its resources are devoted to its workforce in the form of compensation, benefits, rewards, and training. As outlined below, a number of GAO's human capital programs have been detrimentally affected by its past downsizing. A top priority of my tenure at GAO, as well as an area of review for GAO in the rest of government, will be human capital issues. No organization can maximize its economy, efficiency, and effectiveness without assuring the appropriateness and effectiveness of its human capital (people) strategies. This is especially true in the case of professional service organizations.

Figure 5: GAO's FY 1998 Budget Authority



As illustrated in the following graphic, GAO's hiring freeze lasted 5 years before it was completely lifted at the beginning of fiscal year 1998. Until 1998, its separations far exceeded its new hires.

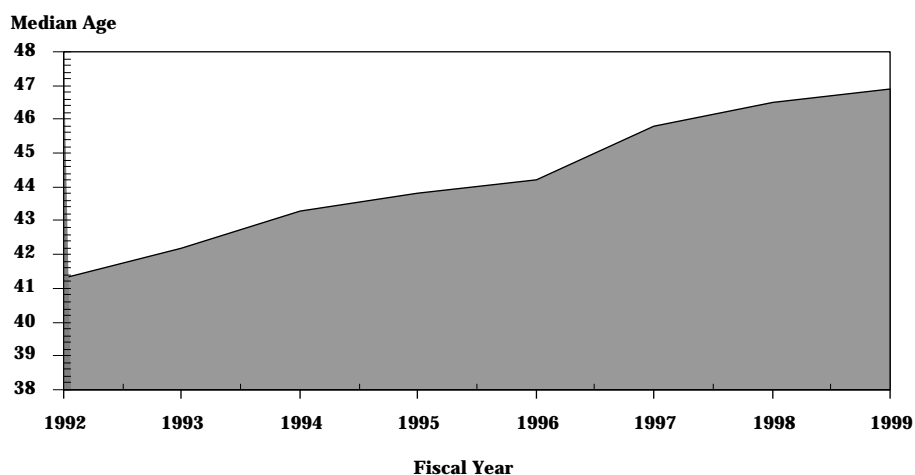
Figure 6: GAO Hiring and Separations (FY 1992 - FY 1998)



The 5-year hiring freeze has had several significant effects on GAO's workforce composition and its ability to recruit and retain high caliber,

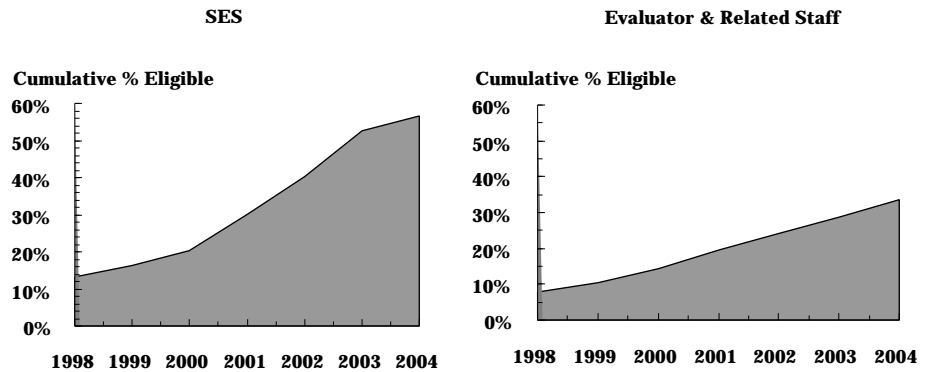
skilled staff. First, as illustrated in the following graphic, GAO's median age increased from 41 in fiscal year 1992 to 47 today.

Figure 7: Median Ages of GAO Staff (FY 1992 - FY 1999)



As a consequence, the percentage of GAO staff eligible for retirement is also steadily increasing. About 33 percent of GAO's current staff will be eligible for retirement by the end of fiscal year 2004. This represents a four-fold increase from today and poses a major challenge for the agency. As illustrated in the following graphic, almost 60 percent of GAO's current SES and more than one-third of its current evaluator and related staff will reach retirement age by the year 2004. This also represents an approximate four-fold increase from current eligibility levels.

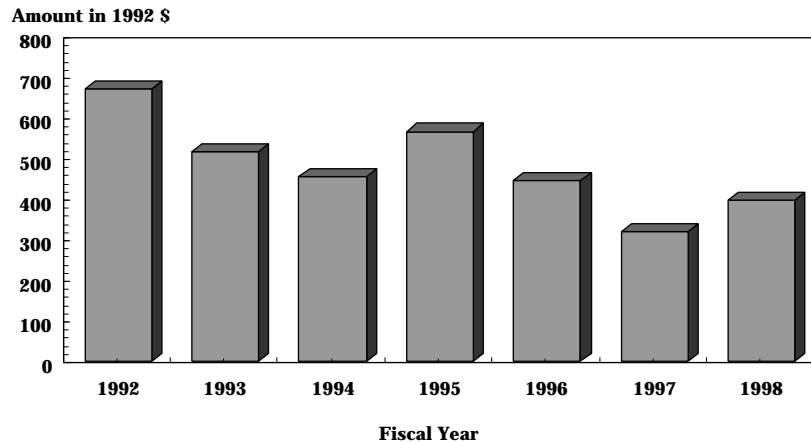
Figure 8: GAO Staff Retirement Eligibility (FY 1998 - FY 2004)



In addition to these workforce aging issues, GAO's compensation package is not on a level comparable to that of the executive branch. To help achieve its mandated funding reduction, GAO eliminated its performance rewards and recognition programs in fiscal year 1993. As a result, GAO has been on an uneven playing field with the executive branch in its ability to recruit and retain high caliber and skilled staff. Last year, GAO lost more than 50 experienced staff to other federal agencies, 20 percent of who were management. GAO also has been losing staff to the private sector, such as CPA and other professional firms. GAO recently implemented a new performance awards program in fiscal year 1998. However, this program is only modestly funded, and we need to quickly return to a level playing field with the executive branch.

Training is another key issue that GAO and its staff have been facing. As illustrated in the following graphic, the amount of resources devoted to external training for GAO's staff has declined over the past 7 years. While GAO also conducts internal training courses, due to the diversity of the skills, knowledge, and technology needed by our workforce, we must supplement this internal training with selected external technical and speciality training. This is particularly important for individuals who need to maintain professional certifications in their chosen field.

Figure 9: GAO External Training Per Capita (FY 1992 - FY 1998)



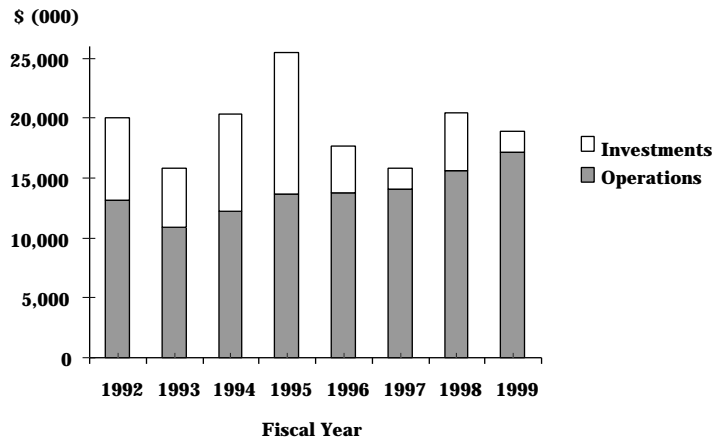
World-class professional service organizations similar to GAO's multi-discipline workforce invest nearly 6 percent of their budgets in training staff. When staff time and other overhead costs for training are included, GAO's total investment in training its staff was less than 4 percent in fiscal year 1998. For GAO to continue providing timely and high quality service to the Congress, it needs to conduct a comprehensive reassessment of its workforce skills and invest greater resources in training its staff. One specific area in which GAO needs to increase staff training is the use of the new technology and software application packages that are being implemented throughout the organization.

Technology issues

GAO is on target for ensuring that its systems are Year 2000 compliant. As of December 31, 1998, GAO had completed 97 percent of the renovation—conversion, replacement, or retirement—phase of its 28 mission critical systems. GAO expects to complete the renovations and validations of these systems by the end of March 1999. GAO's recent upgrade of its desktop and network hardware and software platforms ensures that these systems are Y2K compliant as well.

As illustrated in the following graphic, from fiscal years 1992 to 1995, GAO made major technology investments to improve the efficiency and effectiveness of its mission-related operations. However, beginning in fiscal year 1996, GAO had to significantly reduce these investments to help achieve the 1995 mandated funding reduction.

Figure 10: GAO's Information Technology Program



Additional resources are now needed to address some immediate and continuing critical information technology needs. One short-term priority will be to replace non-Y2K compliant laptop computers and software packages that are no longer vendor-supported. In addition, the agency needs to embark on a comprehensive review of its overall information technology strategy, with an eye toward striking a balance between wants, needs, and affordability.

Work Processes

Over the past several years, GAO made substantial changes to its work processes and significantly improved the way it conducts its work. As a result, the timeliness and average costs of its reviews have improved. However, GAO must be open to continuous improvement to strike an appropriate balance between timeliness and quality and other factors in light of constrained resources and reduced flexibility. I believe that a comprehensive reassessment of such processes should be conducted every 3 to 5 years, with other enhancements being made continuously. Thus, a comprehensive review is planned after GAO's strategic planning process is completed.

FY 2000 Budget Request

Let me move on to the specifics of GAO's FY 2000 budget request. I am committed to making GAO as economical, efficient, and effective in its operations as possible. GAO needs to take a long-term look at what it needs to maintain its effectiveness in an environment of scarce resources. With

your support, I will conduct a comprehensive review of GAO's needs and resources over the next year.

In the meantime, for fiscal year 2000, I am not seeking additional staff above our fiscal year 1999 funded level of 3,275 FTEs or funding for any major new initiatives. I am requesting funds to permit GAO to maintain its current operations, while adding a few modest increases to address several critical existing programs that have not been adequately funded over the past few years.

The funding level increase I am requesting provides for the following:

Uncontrollable Mandatory Costs: \$24,874,000 is needed to cover uncontrollable mandatory costs. Of this amount, \$17,589,000 is needed to cover mandatory pay and benefits increases resulting primarily from federal cost-of-living and locality pay adjustments, and increased participation in the FERS retirement system. In addition, \$7,285,000 is being requested to offset uncontrollable reductions in GAO's fiscal year 1999 appropriation base. This amount consists of \$6,685,000 that was transferred to GAO in fiscal year 1998 to meet fiscal year 1999 needs, which will not be available in fiscal year 2000, and \$600,000 for anticipated declines in reimbursements for GAO audits of government corporations.

Uncontrollable Costs for Inflation: \$1,081,000 is requested to cover uncontrollable price-level increases in transportation, lodging, printing, supplies, contracts, and other essential mission support services, based on OMB's 2-percent inflation index.

Critical Needs: To help GAO get back on track following its downsizing, \$6,825,000 is requested for several critical human capital, work process reengineering, travel, and information technology needs. Additional details about each of these follow.

- **Human capital:** \$2,500,000 is being requested to permit GAO to administer its performance awards for both SES and non-SES staff at a level comparable to that of the executive branch to help ensure our ability to attract and retain top quality staff with specialized skills. GAO also is requesting \$750,000 to increase training for its staff to maximize their use of new technology and software application packages that are being implemented. In addition, during the upcoming year, we plan to begin conducting a comprehensive review of our human capital policies, practices, utilization, and needs. It is expected that this study will

identify some important new initiatives, and \$500,000 is being requested to provide contract and other support for the study and to develop the initiatives.

- **Work process reengineering:** \$500,000 is being requested to reengineer GAO's work processes to increase its responsiveness to and interface with the Congress and enhance the quality, timeliness, efficiency, and usefulness of its products and services.
- **Travel:** \$875,000 is being requested to meet increased demands for travel, particularly foreign travel, that is necessary as a result of recent congressionally mandated reviews and overseas office closures during GAO's downsizing. These mandates include reviews of such issues as the International Monetary Fund, international Y2K readiness, nuclear weapon arsenals, and war zone reviews in the Balkans and Middle East.
- **Information technology:** \$1.7 million is being requested to support several critical information technology needs. Of this amount, \$1 million is needed to fund essential fiscal year 2000 needs, including replacing non-Y2K compliant laptop computers and printers, and upgrading outdated system software that is no longer vendor-supported. Also, \$200,000 is needed to develop and implement an information technology disaster recovery process. Similar to its human capital study, GAO also plans to conduct a comprehensive review of its information technology during the next year. Thus, \$500,000 is requested to provide contractor and other needed support to conduct this comprehensive review and begin developing initiatives that the review will identify.

Concluding Remarks

Former Comptroller General Charles A. Bowsher and Acting Comptroller General James F. Hinchman did an exceptional job in leading and steering GAO through several difficult years. As I have stated previously, I have inherited one of the best agencies in the federal government. At the same time, there is always room for improvement, and improvement must be continuous in these challenging times.

GAO needs to lead by example and maximize its capacity in an environment of limited resources. To accomplish this objective, GAO needs to make several targeted and strategic investments in human capital (e.g., training, performance measurement and rewards systems) and information technology to help its employees "work smarter." The dollars that I am seeking will help GAO begin addressing some of these critical needs and remain competitive in recruiting and retaining high caliber and skilled staff. In addition, these funds will help GAO gain a better understanding of its human capital, work processes, and technology needs and identify the best

and most economical and effective course of action to pursue to address them in the years ahead. We need these dollars to transition GAO into the 21st century. I respectfully request your support of our fiscal year 2000 budget request.

This concludes my statement. I would be pleased to answer any questions the Members of the Subcommittee may have.

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