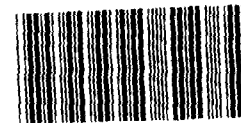


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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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STATEMENT OF
CHARLES A. BOWSER
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
ON
OVERSIGHT OF THE GENERAL ACCOUNTING OFFICE



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to discuss the operations of the General Accounting Office. Our last oversight hearing before this Subcommittee took place in November 1981, shortly after I was confirmed as the Comptroller General of the United States. During that hearing, you and other Subcommittee members suggested ways to improve GAO's usefulness to the Congress. Among other things, you emphasized the need for GAO to (1) increase our ability and capability to audit government ADP programs, (2) devote more resources to identify waste and inefficiency in defense programs, (3) increase our expertise to do work in complex and highly technical subject areas, and (4) improve the quality and timeliness of GAO reports.

I believe we have made much progress in addressing each of these areas since 1981. As I will discuss in more detail later, the changes we've made and our emphasis on improving the quality of GAO's work have resulted in significant contributions to improved government operations and financial savings of billions of dollars.

But we have not completed our plan for improving GAO's operations. GAO's responsiveness to the Congress and the timeliness of its work need further attention. Recently, I formally stated that it is GAO's policy to give top priority to responding to congressional requests. We are instituting several changes to assure that this policy becomes a way of life in GAO. I am still concerned with the time it takes us to do our work, especially the time it takes to prepare and process reports. Much of our quality improvements come at the end of

the jobs requiring extensive efforts to prepare a top quality report. To address this long-standing problem area, we recently started a comprehensive initiative to improve how we do our work. We will concentrate on identifying ways to improve the timeliness of our work.

I would like to explain in more detail the changes we made at GAO since our last oversight hearing and highlight our major accomplishments.

Organizational Changes

After my own assessment of GAO, I took several major actions based on your suggestions and those of GAO staff and others to improve GAO's operations and its ability to address the diverse needs of the Congress and its committees.

We established a new Information Management and Technology Division to be responsible for evaluating the applications of information management resources, including computers and related systems, in federal agency operations. This was essential because the growth of ADP and its application by the federal work force has been dramatic. Computers control the receipt and expenditure of hundreds of billions of federal dollars annually. We need to expand and strengthen our efforts in this area. It is important, however, to recognize some of the constraints we face. First, the federal salary structure makes it difficult for us to attract people with the skills we need. Second, overall budget constraints, from which GAO is not immune, combined with a continuing need to respond to increased congressional requests in other areas, will make it difficult for us to expand the resources we allocate to this area as rapidly as we would like. This is a high priority area in GAO and we will continue

to seek the resources necessary to do it properly and well.

We established the National Security and International Affairs Division to respond to Congress' concern that the large military build-up be managed efficiently and effectively. Previously, our defense work was spread across four divisions and, as a consequence, occasionally the effort lacked appropriate focus. None of the divisions had the responsibility for, or looked at, the totality of defense programs or major defense organizations. We now have an organization flexible enough to be able to respond to emerging issues, crosscutting issues, and single entity issues and capable of reporting over time on the results achieved from the large expenditures being made for national security and international affairs. We have groups that focus on each of the services and on each of the major defense functions such as procurement, logistics, and command, control, and intelligence. With this new division, we are also better organized to address the important issues in the international affairs area such as development assistance; trade, energy, and finance; and security and international relations.

You and others recognized the need for GAO to increase its ability to do complex and technical work in the whole range of topics that GAO addresses. To accommodate this need, we restructured our program evaluation and economic analysis capabilities. There is now a design and methodology group and economic analysis expertise in each program division. Staff with these specialized skills help division and regional staff design, scope, and execute jobs. In addition, the Program Evaluation and Methodology Division and the Office of the Chief

Economist perform in-depth studies in a broad range of complex technical areas. These offices also provide specialized assistance to the program divisions.

We restructured our Accounting and Financial Management Division to better focus GAO's resources to address accounting and auditing policies and practices and to review the implementation of the Federal Manager's Financial Integrity Act of 1982. Our long-range goal in this area is to improve the financial management structure of the federal government so that program managers have the financial information they need to more effectively use their resources.

We have made other organizational changes which we believe have helped serve Congress. For example, the Human Resources Division shifted resources devoted to planning and doing work at a number of agencies, including the National Institutes of Health, the Federal Trade Commission and the Consumer Product Safety Commission, to be able to better respond to congressional information needs especially in the Income Security area. A special group was organized to respond quickly to congressional requests at those agencies where we no longer are doing work under our basic legislative authority. To help us deal with the important inter-relationships between the development of energy and other resources and environmental issues, we consolidated two divisions to form the new Resources, Community, and Economic Development Division. Again, the purpose of these changes was to better focus GAO's resources to address the needs of Congress.

Focus on Quality

Assuring that GAO's work is of the highest quality is and will continue to be a major objective.

The focus on quality is a continuing one, from the time we begin a job until its completion. At the job planning stage, we issued new guidance to help assure that our assignments are well thought out. In addition, we established design, methodological, and technical assistance groups to assist the assignment teams in designing and executing their jobs. At the report development and review stage, we established the requirement for report conferences to reach agreement early on the message of our work. We established the Office of Quality Assurance to develop report review standards and guidance for preparing reports. These have been issued and are being used by our staff. We improved our system for following up on actions taken on our recommendations. We now regularly review the status of all prior recommendations and urge agency officials to implement them. Finally, we established a Post-Assignment Quality Review System to look at completed assignments to identify needed improvements in GAO's standards and their implementation. As needed improvements are identified, they are made.

Our focus on quality goes beyond individual jobs. We have carefully reviewed and modified our program planning system to assure that the work we initiate ourselves is the right work--the work that responds most to the needs of Committees and Members of Congress and yet fulfills our basic legislative responsibilities. We actively seek ideas and suggestions from congressional sources in developing our plans. We now have

short, concise plans that provide for a longer range planning perspective, usually two to four years, and assure that individual assignments focus on the known and anticipated needs of the Congress. At the same time, we review our plans annually to assure sufficient flexibility to respond to changing conditions.

My top management team and I personally review all issue area plans and annual work plans to assure that we are addressing the proper issues and the issues most important to the Congress. We also look at each assignment as it is started and, again, when it goes into implementation--that is at the stage before a decision is made to devote large amounts of resources over an extended period of time. In these ways we are current on the jobs GAO is doing.

Recruiting and Training

In 1983 we initiated our National Recruitment Program. This represented GAO's return to recruiting at college campuses. With our budget in recent years not permitting us to bring in large numbers of new people, it is important that the ones we do bring in are those with the skills we need most. An essential part of recruiting and retaining highly qualified staff is to have relevant training and development programs. We have placed considerable effort in this area over the last several years. We have revised existing training programs and developed new ones to assure that GAO's staff remain current on the technical, methodological, and managerial techniques used in doing GAO's work. Our training programs cover staff from entry level through the Senior Executive Service.

The Executive Candidate Development Program is an important component of GAO's human resources development. It prepares our managers for entry into GAO's Senior Executive Service. Part of this program will include assignments with various congressional committees and subcommittees to assure that our senior staff have a good perspective of congressional operations and needs.

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I am pleased with the progress we are making. I believe the quality of our reports is improving. Our reorganization has enabled us to better focus our resources to respond to the needs of the Congress. And, our recruiting, training, and development programs are assuring that we have staff with the capabilities to do GAO's work now and in the future.

Accomplishments

The results of much of GAO's work cannot be measured in dollars saved by the federal government. However, we estimate that financial benefits attributed to GAO's work in the last four fiscal years amounted to about \$25 billion. Other GAO work culminated in less quantifiable results, such as improved effectiveness in government operations. I'd like to highlight some of our more recent accomplishments in both categories.

GAO was responsible for savings of \$467 million in fiscal year 1984 and average annual future benefits of \$244 million over the next three fiscal years, as a result of DOD's action to implement our recommendations to improve computer leasing practices. This work was not limited to DOD. We also expect savings to be significant at the Departments of Health and Human Services, Energy, Treasury, Agriculture, and the Interior.

Our budget analysis work done at the request of the House and Senate Appropriations Committees resulted in the Congress reducing DOD's fiscal year 1985 budget request by about \$1.7 billion. The major areas of reduction were in accounts for multi-year contracting, ammunition, aircraft procurement, and operations and maintenance. This year we responded to significantly expanded requests for similar work on DOD's fiscal year 1986 budget request and have provided analyses that identify about \$11.6 billion of potential budget reductions. These analyses currently are being considered by the committees. While the full amount of these cuts may not be accepted, it is likely that the DOD appropriation request ultimately could be reduced by several billion dollars as a result of our work.

On the basis of work we did at the Internal Revenue Service, the Congress appropriated funds for an additional 5,000 staff starting in fiscal year 1983. IRS calculated that the additional staff generated increased revenues totalling about \$3.0 billion in fiscal year 1983 and estimated additional total revenues of about \$6.0 billion in fiscal years 1984 and 1985. More recently, we testified on the need for even more resources at IRS to improve its efficiency and effectiveness in administering the tax system. IRS estimates that an additional 2,200 staff years will raise up to \$552 million in additional revenue in fiscal year 1986. This proposal has been approved by the House of Representatives and is now being considered by the Senate.

In recent years, the Congress has relied heavily on GAO's work on complex nuclear power issues. Congressional committees

and members frequently called on GAO for objective information on the status and funding of the controversial Clinch River Breeder Reactor Project for which federal spending was terminated in late 1983. Future federal construction funds of \$2.3 billion were eliminated as a result of this project termination. Similarly, GAO's work on uranium enrichment issues has focused congressional attention on the multibillion dollar implications of the developing problems caused by the shrinking worldwide demand for enriched uranium. Five years after GAO originally raised questions about a new enrichment facility using gas centrifuge technology, the Department of Energy cancelled it in June 1985 eliminating future expenditures of about \$3.7 billion. Currently, in response to a requirement in the Nuclear Waste Policy Act of 1982, GAO is providing the Congress with quarterly and annual reports on the Department of Energy's effectiveness in implementing that important legislation. GAO's first two annual reports have made recommendations designed to both improve program funding and assure that the program is working effectively toward having the first waste repository in place by 1998.

I also want to bring to your attention two additional examples where very significant savings may result from GAO's work, though necessary actions by the Congress have not yet been completed.

Recently, we determined that the Health Care Financing Administration had used unaudited hospital cost reports in establishing rates to be paid hospitals for Medicare patients under the new prospective rate setting program. In addition, we

determined that some capital costs were inappropriately included in determining the Medicare prospective payment rates. Making the needed adjustments to the data base for computing the rates would save \$8 billion over the next five years. The House Committee on Ways and Means used our report to limit Medicare rate increases to 1 percent, as opposed to the 5 percent authorized. The Senate is now considering this matter.

The second example concerns a report we issued to the Senate Committee on Appropriations in September regarding potential excess funds being available in the Department of Defense. While we could not determine the precise amount of "unneeded" funds or the amount that is still available, we did find that, since fiscal year 1982, DOD budgeted an estimated \$36.8 billion more for inflation than was needed. DOD used a special multiplier for major weapons that accounts for \$9.2 billion of this amount. In addition, DOD's unobligated balances and lapses from appropriations to be available at the end of fiscal year 1985 were \$13.3 billion more than DOD estimated they would be in the fiscal year 1986 budget. We also identified reprogramming actions in fiscal years 1980 through 1985 totaling \$26 billion. This reprogramming action provided DOD the flexibility to reapply funds not needed for their original purposes.

While we've recommended that DOD improve the system it uses to budget and account for inflation, a major problem is that DOD's accounting system that tracks how funds are actually being used is not directly linked to the budgeting process. Without an integrated budget and accounting system that can routinely

produce relevant and important financial information, it is difficult for anyone to know the existence or extent of excess funds. Later in my statement I will expand on this subject because DOD is not alone in the federal government in regard to deficient accounting and financial management systems.

I would like to cite another effort that will result in improved efficiency and effectiveness of government operations, although it has not yet resulted in readily measurable dollar savings.

Recently we completed our first of a planned series of "quality assessment reviews" of statutory inspectors general and other federal internal audit organizations. Our assessments are designed to determine whether these organizations are satisfactorily complying with generally accepted government auditing standards and other professional standards.

Our first assessment was done at the Office of Inspector General of the Department of Commerce. We found that while the Inspector General satisfactorily complied with a number of professional standards, some corrective actions were needed. The Inspector General has initiated several such actions, including a comprehensive review of workpaper support for audit, investigation, and inspection processes.

Similar reviews are now in progress at the Department of Agriculture and the Environmental Protection Agency. Over the next five to six years we plan to cover the major inspectors general and internal audit organizations.

The inspectors general save the government billions of dollars each year. Improving the quality of the audit work of

inspectors general and other internal audit organizations will strengthen and increase their ability to identify waste and inefficiency in government operations.

I would also like to highlight several of the notable accomplishments of our legal staff in recent years.

We looked into the Department of Agriculture's implementation of a Payment-in-Kind (PIK) program. USDA took the position that the \$50,000 payment limitation of section 1101 of the Food and Agriculture Act, 7 U.S.C. 1300, was inapplicable. Because of this interpretation, many program participants received PIK payments valued in the millions of dollars.

We concluded that the \$50,000 limitation applied to payments in kind and so informed USDA and the Congress. As a result of our opinion, USDA limited PIK payments for the 1984 crop year to \$50,000, resulting in estimated savings of \$288 million to the government.

In another case our legal staff, in response to several congressional inquiries, looked at the delegation by Dr. Donald J. Devine of all of the Director of OPM's authority to the Executive Assistant. This unpublished delegation occurred on March 25, 1985, the day Dr. Devine's appointment as Director expired and the day before he was appointed to the Executive Assistant role. We concluded that the delegation was not legally appropriate and so testified at Dr. Devine's reconfirmation hearings.

Finally, in response to the enactment of the Competition in Contracting Act (CICA) of 1984, we initiated dramatic changes in the management of our bid protest function. We have reduced the

time needed to produce decisions in fully developed cases from a pre-CICA average of 123 days to our current average of 61 days, well within the 90-day statutory limit. Our average time for all cases (including routine dismissals and withdrawals) dropped from 70 days to 24 days, even though our workload has increased in fiscal year 1985.

Status of Issues Raised In Your March 21, 1985 Letter

In a March 21, 1985, letter to me you expressed concern about GAO's operations and referred to nine areas requiring specific attention. You stated that these concerns are shared by other committee and subcommittee chairmen. In my letter of April 3, 1985, I outlined my overall plan for improving GAO's operations, and the actions underway and contemplated to address the issues raised. At this time I'd like to bring you up to date on the status of my overall plan and the nine issues you raised.

Overall plan

My overall plan for improving GAO's operations has five major components -- improving the quality of GAO's reports; reorganizing the divisions to better address the issues of importance to the Congress; revising our planning system; undertaking general and financial management reviews, and improving the efficiency and effectiveness of how GAO does its work. The first four components are well in place.

We recently began the final part of the plan on how we do our work. We established responsibility for this effort with the Assistant Comptroller General for Operations. He is assisted by a steering committee of senior GAO managers dedicated to

improving GAO's operations. They are currently working with the Divisions and Offices to identify ways to improve our operations, especially in the area of responsiveness to Congress and the timeliness of our work. Let me now update you on the nine issues you raised.

1. GAO's reluctance to conduct investigations into waste, fraud, and abuse in government programs.

As stated in my April 3 response, I agree that GAO should take steps to improve our capability to conduct investigations into fraud, waste, and abuse. I have established a task force to advise me on how best to carry out our investigative work to serve the needs of the Congress. The task force is headed by Mr. Charles Dempsey, former Inspector General at the Department of Housing and Urban Development. I have asked the task force for recommendations early in fiscal year 1986. I would then like to meet with you, Mr. Chairman, to discuss the task force recommendations.

2. The declining quality and timeliness of GAO's reports.

I think the quality of GAO's reports has improved over the last four years. My emphasis on improving the quality of GAO's reports has been both necessary and fruitful. We are now issuing consistently high-quality products with well-founded analyses and carefully thought-out conclusions and recommendations. I recognize that achieving this goal has exacerbated a problem that GAO has always faced in providing its final products in a timely manner. Our challenge now -- one

that I and my senior staff are actively working on -- is to maintain the emphasis on quality while at the same time providing more timely assistance to our congressional customers.

I am well aware, however, that some of our congressional customers have expressed concern about our responsiveness to congressional needs. These concerns can best be addressed, I believe, by ensuring that we gain an understanding of congressional needs and by maintaining good communications with congressional customers throughout our work. I re-emphasized our need to improve in these areas in my September 6 letter to all GAO staff.

We have taken several steps to address the long-standing problem of timeliness. We have recently expanded our product lines. Too often, we have relied on a formal report to communicate the results of our work when a statement of facts or a briefing document would be satisfactory to congressional users. These products, which will be attributable to GAO, will take less time to prepare and yet will maintain our high quality standards. Secondly, we have implemented an automated tracking system to better assure that congressional requests receive the priority necessary to meet reporting deadlines. Additionally, as I mentioned before, we are taking a comprehensive look at how we do our work to identify other areas where we can improve our timeliness.

3. Low morale of GAO employees.

The morale of GAO employees is a matter of great concern to me. Some of the changes we have made to improve the operations of GAO have adversely affected the morale of some of our employees. I am aware of these concerns and my top management staff and I are working to deal with them.

I believe that a major part of the solution lies in assuring that staff are working on issues of importance to the Congress, that the results of their work are reported in a timely way, and that they are appropriately recognized for their work. I believe with the organizational changes and improvements in our planning system now in place, we will be able to work on the issues most important to the Congress and those where we can have the greatest impact.

In addition, we have taken steps to address the concerns of the staff. For example, we've established a program for lateral reassignment of staff and will be establishing a part-time employment program.

I am confident that our efforts to reduce the time it takes to report the results of our work will also help to improve the morale of our staff.

4. Excessive time spent on planning and report processing.

We have spent considerable time on planning to assure that we are working on the issues that are most important to the Congress and the Nation. A primary

purpose in restructuring our planning system was to better enable us to anticipate congressional needs and to provide information to the Congress when it is needed. I am pleased with the results of our planning process. We are working on many important issues that the Congress is facing now and will face in the future.

The time we spend on planning in the future should decrease substantially. We will now concentrate on planning our work as efficiently as possible and guard against lengthy planning efforts.

The time it takes to process a report is part of the timeliness issue which I discussed previously.

5. **GAO's inability to successfully develop and implement its internal ADP systems.**

The development of our internal ADP system was not successful because the contractor, Boeing Computer Services, failed to perform.

Since my April 3 letter, I have named a new director of our Office of Information Resources Management. He and his staff, with the assistance of a contractor, are now developing a new long-range strategic plan for GAO's ADP systems. We will share this plan with you and your staff when it is completed early next year. In addition, we've established a GAO management team to not only manage the contract but also to be able to periodically update the plan. We have also hired several staff with considerable expertise in information resources matters to help us in this endeavor. We are optimistic that we will overcome our

previous difficulties and put in place a series of much needed systems that will help us to better manage our work and serve the Congress.

6. A decline in GAO's productivity over the last three-year period.

GAO productivity, if measured in number of reports, has gone down in recent years because of the changes we've made. This decrease has been most evident in reports resulting from our self-initiated work. The number of reports to congressional committees, however, has remained relatively constant. Preliminary data for fiscal year 1985 indicate that the number of reports issued was about the same as fiscal year 1984 levels. I believe we will see an upward trend in the next few years as we improve the efficiency in doing our work.

While the number of reports issued is one indicator of GAO's productivity, there are other measures that can be used. For example, dollar savings, recommendations implemented, briefings of congressional staff and testimonies before congressional committees, and increased awareness of the need to improve government operations could also be used. All of these need to be considered in measuring GAO's productivity. In the near future we will identify the measures we have to track, over time, to more completely assess our overall productivity and effectiveness.

7. **A general reluctance to issue incisive, hard-hitting reports with meaningful recommendations.**

GAO does issue incisive, hard-hitting reports. Some have recommendations, while others do not. We are addressing the tough issues confronting the Congress. Our reports contain, where appropriate, meaningful and useful recommendations.

I am concerned, however, that we may be giving Members of the Congress or their staffs and some GAO staff the impression that we are reluctant to issue incisive, hard-hitting reports. Occasionally we are criticized because our reports do not provide conclusive results. Unfortunately we encounter situations where sufficient information and facts are not available for us to support strong, firm conclusions and recommendations. I believe it is critical that GAO issue tough, hard-hitting reports when we have the evidence to support them. But, just as importantly, we will not do so when there is inadequate data to draw firm conclusions.

8. **A general attitude that congressional request work is disruptive and not as important as GAO's self-initiated work.**

I recently established a task force to take a comprehensive look at our overall responsiveness to congressional requests. On the basis of its recommendations, I stated on September 6, 1985, my commitment to give top priority to responding to congressional requests. I also met with all our top managers to

further emphasize this policy. I also directed a number of other actions to improve our responsiveness to the Congress. These include: (1) establishing a congressional request tracking system so that we can more readily identify any congressional requests that are not being addressed promptly, as well as those experiencing problems after work starts, (2) improving communications with congressional staff, (3) re-establishing the Congressional Fellowship Program so that our staff has a better understanding of the Congress and how it works, (4) testing the use of confirmation letters to assure we have a mutual understanding of what work is requested, and (5) expanding ways to communicate the results of our work.

9. Excessive emphasis placed on broad surveys and general management reviews.

As a consequence of the reorganization and the modification of our planning process, several broad surveys were done to identify specific areas needing GAO's attention. This has largely been completed, and we are now directing our efforts to specific assignments.

You and others have expressed the view that GAO has placed too much emphasis on our general management reviews. Our general management reviews are an important part of the broad range of work that we do. I believe this work will have significant impact by identifying issues important to the Congress. I feel that conducting a general management review of an

entire department or agency is necessary so that GAO can better inform the Congress and agency heads on how well their departments and agencies are being managed. The first few reviews were time consuming and costly, primarily because of our inexperience in this area. We recently revised our approach so that future reviews will be much less costly. Our objectives are to complete each of the reviews we undertake within a 12-month period with a smaller team of highly qualified staff. We believe in time we can reduce the amount of staff time needed to complete these reviews by as much as two-thirds.

I would like to explain in more detail why I believe these reviews are necessary and to summarize the results we've achieved so far.

General Management Reviews

Many of the problems we typically identify at the program level could be eliminated if management improvements were made at the top levels of the agency. Too often there is no clear-cut direction at the agency-head level and little comprehensive management planning on how programs will be operated. Typically, agencies lack continuity at the top; don't have good productivity measurements; have inadequate financial and program reporting systems; and experience personnel and procurement problems. Through our work in this area, we demonstrate to top political appointees the importance of focusing on management structure and systems to assure effective implementation of policies. Their support is critical for our recommendations to

be effectively implemented. In addition we meet frequently with the legislative, oversight, and appropriations committees having jurisdiction over the agencies being reviewed to discuss the progress and results of our management reviews.

To date we've completed a general management review at the Department of Housing and Urban Development and the Department of Labor and are nearing completion at the Departments of Justice and Transportation and the Defense Logistics Agency. During the next 12 to 15 months, we plan to complete similar reviews at the Environmental Protection Agency, Internal Revenue Service, and the Social Security Administration. We will also assess additional logistics components at the Department of Defense.

Top management at these agencies have generally been very responsive to our findings and have taken action in many cases. For example, we briefed Secretary Brock at the Department of Labor on the results of our work shortly after he became Secretary. He quickly established a comprehensive task force to analyze the policy issues and problems we identified. Secretary Brock recently wrote to us outlining additional actions he plans to take to correct the problems we identified.

Similarly, the Attorney General has taken actions based on a briefing we provided to him on the results of our study at the Justice Department. He has designated a high-level official to focus on management issues at the Justice Department. In addition, the Attorney General has created a departmental resources board to provide a more effective means for making managerial and resource allocation decisions at Justice.

Financial Management Initiatives

Over the years, your leadership, Mr. Chairman, has been instrumental in bringing about significant improvements in federal operations. Recently, your leadership in the enactment of the Federal Manager's Financial Integrity Act of 1982 and the Single Audit Act of 1984 has brought increased emphasis on the need for improvements in federal accounting and internal control systems, better management of federal assistance programs, more efficient use of audit resources, and on establishing uniform requirements for audits of federal financial assistance provided to state and local governments. More recently, the implementation of the Competition in Contracting Act is helping to ensure that fair and cost-effective procurement practices are being used in the federal government. This law should help to increase the use of competitive procedures in awarding federal contracts and ensure that the government gets the full and fair value from each procurement dollar spent.

We again need your leadership to bring attention and correction to the federal government's financial management structure. The 1980's have been years of unprecedented growth in the Nation's budget and the budget deficit. Current projections indicate that deficits will continue to increase if present policies are continued, and consensus is growing that this continued increase would create significant risks to our economic stability and growth. Federal managers will be faced with an enormous challenge to deal with this problem. Timely and reliable program and financial information is critical to successful management.

Unfortunately, federal finances are managed through an elaborate structure of decision processes and information systems which are incapable of coping with the demands placed on them. The shortcomings of the present federal financial management systems are numerous. They provide little reliable cost and program data essential for effectively monitoring program execution, anticipating overruns, and providing a basis for future program and budget planning. Current project reporting systems are not tied to the accounting and budgeting systems, and the reports they generate are too often incomplete, inconsistent, and unreliable.

In my opinion, the federal government needs to embark on a major effort to rebuild its system of financial management. As you know, we recently issued a two-volume report detailing the need for this major overhaul and identifying some of the most important elements of a new financial management system. Many federal financial management systems employ outdated automated equipment and are not designed to and do not provide timely, reliable, and consistent information needed by managers, policy officials, and the Congress. A modern structure for managing government finances will not cause the budget deficit to disappear, but it will enable us to more effectively and efficiently manage our resources and administer our programs.

We must start now to overhaul our antiquated financial management systems. At this time I want to solicit your support, Mr. Chairman, and that of the Subcommittee to bring about this much needed change.

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In summary, Mr. Chairman, the General Accounting Office is dedicated to informing the Congress on the management and results of federal programs and making recommendations to improve government operations. We have made many changes to enable us to do this better, but challenges continue to confront us. We will improve our timeliness and our responsiveness to congressional requests. And, we will improve the efficiency of our work.

This concludes my prepared comments. I will be happy to answer any questions you have.

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