

091278

Date:
2/10/76

STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE LEGISLATIVE SUBCOMMITTEE
APPROPRIATIONS COMMITTEE
HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1977

091278



MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We are presenting today our financial requirements for fiscal year 1977. In this statement, I will highlight briefly the more detailed "Justification of Estimates" which has been submitted to you earlier. Following my statement, I will be happy to respond to any questions which you may have.

STATUS OF FY 1976 FUNDING

Before presenting our requirements for FY 1977, I should like to summarize the status of our FY 1976 appropriations.

Appropriation for FY 1976	\$135,930,000
Transfer to GSA for Transportation Rate Audit Function	- 6,638,200
Anticipated Reimbursements	500,000
Supplemental Appropriation Act 1976 request granted	1,292,000
2nd Supplemental Appropriation Act 1976 request pending	5,378,000
Estimated Total Available	<u>136,461,800</u>

Obligations through 12/6/75	\$58,977,015	
Estimated Obligations 12/7/75 - 6/30/76	<u>76,425,785</u>	<u>135,402,800</u>

Projected unobligated balance to be applied as partial absorption of the 2nd supplemental requirements		
Salaries and Benefits	330,000	
Travel	403,500	
Office Space	325,500 ^{1/}	
Total	<u>\$ 1,059,000</u>	<u>\$ 1,059,000</u>

^{1/} This represents rent savings on 100,000 sq. ft. of office space as a result of the transfer of the Transportation Rate Audit Function to GSA.

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APPROPRIATIONS REQUEST FOR FY 1977

We estimate that we will require \$151.4 million to finance our FY 1977 operations. This is an increase of \$8.8 million over our FY 1976 requirements. Over one-half of the increase--54 percent--is needed to finance our current level of operations. Another 23 percent will finance the 181 average staff years that we originally estimated for FY 1977 to meet increased workload--the amount included in the President's Budget. The remaining 23 percent is needed to finance the workload resulting from the newly enacted Energy Policy and Conservation Act of 1975. The following summarizes this:

	<u>Dollars</u>	<u>%</u>
<u>--Increases Needed to Support Current Operations</u>		
°°Full year's cost of 1976 pay increases, plus promotions, periodic step increases, and associated benefits for staff at approved FY 1976 levels.	\$ 5,561,700	
°°Increases in costs of supplies, equipment, services, space, and travel.	<u>3,891,600</u>	
Subtotal	\$ 9,453,300	54
<u>--Increases Needed to Support Increased Workload</u>		
°°Costs of pay associated benefits, travel and other benefits for staff (181 staff years) needed to meet increased workload.	4,066,300	23
<u>--Special requirement to carry out responsibilities under the Energy Policy and Conservation Act of 1975.</u>	<u>3,981,000</u>	<u>23</u>
Gross Increases Required	\$17,500,600	<u>100</u>
<u>--Decrease Attributable to Transfer of the Transportation Rate Audit Function</u>	<u>8,682,600</u>	
Net Increase Required	<u>\$ 8,818,000</u>	

The Energy Policy and Conservation Act of 1975 became law too late to be considered in our "Justification of Estimates." It will, however, significantly increase our workload and require resources in addition to those indicated in our "Justification of Estimates." Details of this additional requirement are set forth in a special addendum to this statement.

Thus, as outlined in the budget material previously presented, we are requesting 5,075 staff years for FY 1977--181 more than the 4,894 authorized for FY 1976--plus an additional 100 for work under the Energy Policy and Conservation Act. We are limiting our total request to take care of:

1. new legislation establishing new programs or expanding existing programs, and requiring additional effort under GAO's basic statutes,
2. special work required by specific provisions in new legislation which will have an impact on GAO workload in FY 1977, and
3. increases in externally imposed workload such as that involved in legal decisions with respect to Federal receipt and disbursement transactions, claims for collection and settlement, and approval of agency accounting systems and in central management services.

We have not requested any increase in staffing to take care of the growing number of requests for assistance which we receive from Committees and Members of Congress, except for requests which we contemplate under the newly enacted oil policy legislation. Moreover, we have not included any provision to meet the requirements which would be imposed upon GAO if pending legislation is enacted this session. For example, in the past few days, the Congress passed and sent to the President for approval two major actions which would have a major impact on the workload of the General Accounting Office.

One of these is the Public Works Employment Act of 1975 which would require, within two years, a GAO evaluation of the "impact which emergency support grants have on the operations of State and local government and on the national economy." The second is the Railroad Reorganization legislation which contemplates sizable financial support to the nation's railroads and would require GAO audit. It would undoubtedly generate a large number of congressional requests for GAO audit. It is not certain whether either of these two bills, being quite controversial, will be enacted into law but they illustrate the difficulty which we face in budgeting resources for the next fiscal year which starts October 1.

Should new legislation be enacted which we have not provided for in our estimates and which would substantially increase our workload, we will attempt to divert manpower from the coverage of existing programs or to seek a supplemental appropriation request. However, we do not believe it is wise public policy for large, expensive programs to be inadequately monitored by GAO.

Absent the repeal of legislation or a major reduction in the existing level of funding in programs--which happens infrequently as the Federal Budget has grown--GAO's work automatically increases with every new or expanded Federal program for which we have audit responsibility.

With respect to requests from committees and Members of Congress, it is our objective to hold the overall level of our staff to meet these requests to the FY 1976 level. We plan to do this by working with committees and Members on a case-by-case basis to find ways of meeting their needs without a further substantial increase in this work which has taken place in recent years. Committee and Member request work currently represents about

one-third of our auditing workload. Should it not be possible to avoid increasing our work in response to these requests, we will have no alternative to reducing our self-initiated audit work on existing programs.

It is important to emphasize that the Congress has every right to expect GAO to maintain a reasonable level of audit coverage of all ongoing Federal programs. We believe that our coverage is inadequate in some of those areas now. It was for this reason largely that our Division and Office Directors requested 296 staff years over and above our FY 1977 request. I decided nevertheless to limit our request to the three areas of increase which I have already mentioned. I am concerned that our coverage of the older and ongoing programs may become so thin or superficial as to be unacceptable in carrying out our basic statutory responsibilities.

ACCOMPLISHMENTS

Before I talk further about our future plans, I will summarize some of our recent accomplishments.

In FY 1975, we issued 1,043 reports. In FY 1976, through December 31, we have issued 423 reports; and as of that date, work on 1,412 assignments is in process.

As you know, we are constantly trying to identify opportunities to improve the economy and effectiveness of Government programs and operations. Where possible, we make estimates of savings which are directly attributable to GAO recommendations. Such measurable savings amounted to \$503 million in FY 1975. Of this, \$147 million will continue to be saved annually in future years. Thus, over the past two years, measurable savings resulting from our work totals nearly \$1.1 billion.

In addition, numerous actions resulted in financial savings which could not be fully or readily measured. Examples include reducing the investment in modernization and expansion of ammunition plants (which could save approximately a billion dollars in future years), reducing grant aid for the Korean Security Assistance Program, substantial savings possible through increased agency purchases through the General Services Administration, and eliminating duplication between DOD and Energy Research and Development Administration in the development of nuclear weapons.

Even more important is the large number of recommendations we make which, while not resulting in immediate dollar savings, point to ways to improve program effectiveness. For example, our work helped to expedite disability compensation payments, change the military body armor program to further emphasize reduction in casualties, increase control and consumer awareness of salmonella in raw meat and poultry, improve control over suspected fraud and abuse in Medicaid, strengthen energy conservation standards for new homes, and provide better job placement assistance to displaced Federal civilian employees.

Our "Justification of Estimates" includes other examples and more detailed descriptions of accomplishments.

The purpose of our discussions today, however, is prospective. Let me talk now about what we plan to do and why.

IMPACT OF RECENT LEGISLATION AND OTHER CONGRESSIONAL ACTIONS ON STAFF REQUIREMENTS AND WORK PROGRAMS

Each year, new legislation, and sometimes committee reports, direct GAO to make special studies or to take other specified actions. Some of those which will affect our use of resources in FY 1977 are:

- The Energy Reorganization Act of 1974 directs the Comptroller General to evaluate the effectiveness of the programs and activities of the Nuclear Regulatory Commission and report to the Congress by January 19, 1980. In addition the Act gives new responsibilities to the Energy Research and Development Administration. This legislation will require an annual audit effort of about 92 staff years, or an increase of about 54 staff years over the fiscal 1975 level.
- The Veterans' Administration Physician and Dentist Comparability Act of 1975 requires GAO to study the recruiting and retention of physicians and dentists by departments and agencies of the Federal Government. It requires reports to the Congress by August 31, 1976, and, on other matters, by March 1, 1977. We estimate that this work will require 23 staff years.
- The National Productivity and Quality of Working Life Act of 1975 established a Center responsible for formulating a national productivity policy and for reviewing and coordinating all Federal productivity activities. The Act directs GAO to report to the Congress on the actions of the Center and evaluate the effectiveness of its operations. It also directs us to recommend legislation which would improve the Center's efficiency and its implementation of a national productivity policy. Compliance with these requirements will involve about 3 staff years.
- The Trade Act of 1974, enacted January 3, 1975, makes important changes in the country's international trade, tariff, and economic policies. It requires GAO to study the adjustment assistance

programs and make a comprehensive report to the Congress on the results of the study by January 31, 1980. Work in fulfillment of these directives will require some 19 staff years of GAO effort.

More significant to our need for increased resources in FY 1977 is legislation which expands existing Federal programs or creates new ones. Such legislation automatically increases our workload. There are no offsetting reductions in the number or size of Federal programs which would decrease our audit responsibilities. I will mention a few examples of recent legislative actions that will increase our workload in FY 1977.

- The Consolidated Rail Corporation, established by the Regional Rail Reorganization Act of 1973, will be operational in March 1976. The large Federal investment--over \$4 billion--will require considerable audit work in connection with the corporation's activities.
- The National Health Planning and Resources Act of 1974, enacted January 4, 1975, provides for important changes to health policy, planning, and resource programs, and for establishing new health systems agencies. Evaluating the impact of this legislation will be a significant workload requirement in FY 1977.
- The Unemployment Compensation Amendments of 1975, the Emergency Unemployment Compensation Act of 1974, the Emergency Jobs and Employment Assistance Act of 1974, and the Tax Reduction Act of 1974 have increased the time unemployed persons can receive unemployment compensation and extended such compensation to previously uncovered workers. Together they have increased unemployment expenditures by an estimated \$10.2 billion in FY 1975. Increased GAO audit effort will be necessary.

- The New York City Seasonal Financing Act of 1975, which became law December 9, 1975, authorizes the Secretary of the Treasury to provide seasonal financing for the city of New York. Since this legislation was enacted, the Senate Committee on Banking, Housing, and Urban Affairs has requested us to audit New York City, its agencies, and the Municipal Assistance Corporation. We are currently developing plans to carry out our responsibilities under the Act.
- The Foreign Assistance Act of 1974 requires the President to provide Congress with a detailed plan for the reduction and eventual elimination of the present Military Assistance Program. It provides, effective July 1, 1976, for these reductions. Reviews of actions taken on these matters will need to be included in our FY 1977 audit work.
- The International Development and Food Assistance Act of 1975 emphasizes the need for more effective agricultural development and food aid programs and stresses the use of private and voluntary organizations in channeling development assistance to foreign countries. This congressional emphasis will be considered in our work programs.

Other such legislation increasing our work load includes: the Vietnam Era Veterans Readjustment Assistance Act of 1974, the Privacy Act of 1974, the Fire Prevention and Control Act of 1974, the Deep Water Port Act of 1974, the National Mass Transportation Assistance Act of 1974, the Commodities Future Trading Commission Act of 1974, and establishment of the Paperwork Commission and of the National Commission on Electronic Fund Transfers with the Comptroller General as a member.

TITLES VII, VIII, AND X OF THE CONGRESSIONAL
BUDGET AND IMPOUNDMENT CONTROL ACT

The Congressional Budget and Impoundment Control Act of 1974 has given us new and expanded responsibilities for which our Office of Program Analysis has lead responsibility. GAO was given broad authority for program evaluation and analysis by the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. The Legislative Reorganization Act and Title VII of the Congressional Budget Act make more explicit and give added emphasis to program evaluation and analysis. As one example of our response to Title VII we have published a draft, entitled Evaluation and Analysis to Support Decisionmaking, which will provide guidance to anyone engaged in this work. We have also assisted committees and members by providing draft legislative language to require effective agency program evaluations. In a more general sense, evaluation and analysis work is carried on throughout GAO in conjunction with our overall review, evaluation, analysis and audit functions.

Under Title VIII of the Congressional Budget Act, we are required to take the lead in developing definitions and classifications for fiscal, program and budgetary data. We have recently published a glossary of budget-related terms and definitions, which we expect to update and revise periodically. We are working with the Budget Committees, the Appropriations Committees and the Congressional Budget Office to reevaluate the present budget functional classification structure. We expect to make our recommendations by next spring.

Title VIII of the Act also required us to assist committees in identifying and structuring requirements for information. We are working with the House and Senate appropriations subcommittees to help them improve the format and content of the budget-related information they receive from agencies.

We are also working with twenty-five authorizing committees to assist them in obtaining the budget-related information which they require for preparing their inputs to Congressional Budget Committees pursuant to the Act.

This work has been closely coordinated with the Congressional Budget Office which is providing parallel assistance at a more aggregate level using a somewhat different data base. We have also worked with CBO to ensure that agency reports to authorizing committees can be reconciled with the scorekeeping and reporting planned by CBO.

In the first seven months of FY 1976, we received and evaluated ten impoundment messages under Title X of the Act, covering 100 deferrals and 44 rescissions. In addition, we reported one deferral action which had not been reported by the President. We expect about the same level of effort in FY 1977.

In addition to the work specified in Titles VII, VIII, and X, we have advised the new Senate and House Budget Committees of the work GAO has done and is doing in their areas of interest. The Senate Budget Committee has requested us to undertake a study of defense manpower costs which will pull together work done previously by GAO and other organizations in this area and highlight significant issues that impact on current and future manpower costs. After briefing both Budget Committee staffs on this project, the chairmen of the committees' Task Forces on National Security formally requested the results of the study. Similarly, we have provided budgetary data on various intelligence agencies and on transportation programs from studies that were already ongoing.

Our relationships with the Budget Committees and with the CBO have been excellent. Our mutual objectives have been to keep all concerned fully advised with respect to any work of the GAO which has a bearing directly or indirectly upon the operations of the Congressional Budget and Impoundment Control Act. This is a new and highly important change in congressional procedure for handling the budget which we think holds very considerable promise. We will continue to support it in any way practicable.

PLANNED APPLICATION OF RESOURCES

In recent years, I have discussed with you the way we analyze our need for resources. We consider resource requirements in terms of responsibilities assigned to our individual divisions and offices. We also analyze requirements by office-wide program categories. It helps us to "balance" the way we apply our resources GAO-wide.

Our "Justification of Estimates" considers these approaches in considerable detail. Attachment 1 gives a ready overview of the way we plan to apply our resources by divisions and offices. That attachment also refers to the portion of our "Justification of Estimates" which discusses resource needs of the various divisions and offices. These are our best estimates. It is important to note, however, that changed conditions, enactment of new legislation, and changing patterns of committee and member requests could well--and probably will--require us to make some shifts. Resource shifts, particularly those involving field staff, are an important way in which we are able to reasonably respond to changed conditions. For example, recent concerns about irregularities in grain inspection practices resulted in requests for assistance from both the House and Senate Agriculture Committees for an urgent study which required as many as 41 people over a six month period.

As for our GAO-wide program categories, our needs for staff are:

	<u>Estimated Staff Years</u>		
	<u>FY 1976</u>	<u>FY 1977</u>	<u>Change</u>
--Special Work Mandated by Statute	62	108	+ 46
--Direct Assistance to:			
°°Committees	822	822	-
°°Members of Congress	484	484	-
--Reviews of Programs, Under Current Statutes, for Economy, Efficiency, and Effectiveness	2,224	2,305	+ 81
--Examination of Agencies' Financial Systems, Transactions, Accounts, and Reports	239	239	-
--Financial Management Improvement	182	198	+ 16
--Claims Settlement and Debt Collection Activities	132	136	+ 4
--Legal Services and Decisions	200	209	+ 9
--Executive Direction and Management Services	<u>549</u>	<u>574</u>	<u>+ 25</u>
Subtotal	4,894	5,075	+181
--Energy Policy and Conservation Act Work as Previously Discussed	<u>-</u>	<u>100</u>	<u>+100</u>
Total	<u>4,894</u>	<u>5,175</u>	<u>+281</u>

Thus, 16 percent of our requested increase is in special work mandated by statute. Another 64 percent responds to congressional requirements resulting from new or expanded programs. The remaining 20 percent increase responds to workload increases over which we have little or no control.

I would like to discuss each of these briefly--highlighting some of the more significant increases. Detail is included in Tab C of our "Justification of Estimates."

SPECIAL WORK MANDATED BY STATUTE

Our work under this category includes our response to legislation and committee reports that require us to make a particular study or audit, usually by a certain date. The point here is that it is a onetime--and not a continuing--requirement. That is how our work under this category differs from legislation that adds to our continuing responsibilities such as the Accounting and Auditing Act of 1950, the Legislative Reorganization Act of 1970, and most recently, the Congressional Budget and Impoundment Control Act of 1974.

I have already discussed some of the specific legislative mandates on which we will be working in FY 1977. Overall, our work in this category will require 108 staff years in FY 1977. This compares with 62 in FY 1976.

DIRECT ASSISTANCE TO COMMITTEES AND MEMBERS OF CONGRESS

Our responsibility to respond to the specific requests of committees and members has been emphasized by the Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974.

Work that we classify under this category includes:

- Committee and Member requests,
- testimony at hearings,
- staff assigned to Congressional Committees,
- advice on pending legislation,
- accounting, auditing, and advisory services for
House and Senate financial and administrative
operations, and
- Congressional liaison activities.

We do work for virtually all committees. Attachment 2 points this up. Requests range from minor efforts, involving less than a staff year to major ones requiring over 25 staff years. While we get a large number of requests

from Members of Congress, they constitute only about one third of the staff year requirements for this program category. Most of our staff requirements stem from committee requests.

Our experience is that much of the request work that we do deals with significant matters needed in both the Congressional legislative and oversight roles. In addition, many of these requests involve controversial matters affecting congressional districts and States, for example, the movement of a base or other Federal installation from one State to another. The Appendix to our "Justification of Estimates" includes examples that show the range and diversity of the requests to which our work under this program category responds.

Where requests of particular committees or Members are for work in an area of some general interest, we are frequently successful in broadening the work to cover the needs of others. This has proved to be a very effective way to fulfill different requests dealing with the same or similar subject matter. Sometimes, also, we are able to use work under requests to meet objectives that we would otherwise seek through our discretionary work. Of course, any changes to the scope of requested work is discussed with the Committees or Members involved. We want to be sure that our work is not delayed to the point that its value to the requestor is reduced.

No small part of our assistance to Committees is the testimony that we give to them. We testified before congressional committees on 69 occasions last year compared to 61 the previous year and 38 in the prior year. So far this year, the rate has accelerated to the point that as of mid December, we had testified 58 times.

As I have already mentioned, we plan to keep our FY 1977 work in this category at the same level as in FY 1976, except for requests under the newly enacted Energy Policy legislation.

REVIEWS OF ECONOMY, EFFICIENCY AND PROGRAM EFFECTIVENESS

These self-initiated reviews are designed to give the Congress information and recommendations to improve its oversight of executive agencies. We also give information on program results or program effectiveness to assist Congress in its consideration of legislative proposals for new or changed programs. The Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974 emphasize the role that GAO should play in aiding the Congress with its legislative as well as its oversight responsibilities.

In planning our self-initiated work, we look first to the needs and interests of Congress. We try to ascertain Congress' needs so that we can provide relevant and timely reports. We determine the needs and interests of Congress in a variety of ways. Continuing and close contacts with Committees are an important way by which we assure the relevance of our work. Our close and continuing contacts and cooperation with other legislative support arms--the Congressional Research Service, the Congressional Budget Office, and the Office of Technology Assessment--help us to avoid duplication of effort.

In determining what work we should undertake on our own initiative, we consider matters such as the following:

- expressions of congressional interest,
- the importance of programs and activities judged by such means as public impact, amount of expenditures, investment in assets, and amount of revenues,
- the newness of programs and activities,
- public criticism indicating the need for corrective action, and
- the extent and recency of prior work by GAO or by agency internal review and evaluation groups.

I might add at this point that we have auditors physically stationed in over 40 different locations in Washington, D.C. GAO auditors are also stationed in 23 different offices and suboffices throughout the continental United States and in four such offices overseas. From these offices, our auditors travel to wherever government programs are carried out. This gives us a unique ability to identify new or emerging problems and generally keep on top of what is happening day to day in the planning and operation of Federal programs. On the other hand, our Government-wide responsibilities and perspectives give us a very good basis to pull it all together.

Thus, in planning our work and in determining the resources that we will need to meet its objectives, we are able to consider what is happening in major programs and activities of virtually all executive agencies. We also are able to consider what GAO can usefully do in looking at interagency and government-wide relationships. Through our work, we are in a very good position to point out to the Congress how program effectiveness, efficiency, and economy can be improved.

At present, we have 762 individual assignments in process covering work under this category. Each of these assignments seek particular, defined objectives. Increasingly through a family of assignments, we are examining major issues of highest concern to the Congress.

As one important way of doing this, we assign planning and coordination responsibilities for the review of more significant issues, particularly those involving more than one Federal agency, to a single "lead" division. That division consults with congressional committees, CRS, CBO, and OTA. It gets advice and assistance throughout GAO, and from agency and non-governmental sources. Based on all of this, the lead division plans the ways in which GAO

can make the greatest contribution. Then, the lead division follows through and coordinates GAO-wide work related to the issue assigned to it. Health, housing, energy, and law enforcement are examples of areas for which we have assigned this type of lead responsibility.

The appendix to our "Justification of Estimates" provides a "sampler" of our self-initiated work. Examples were selected--not to describe our total effort--but to point up their relevance to current national concerns and issues.

In fiscal year 1977, we will devote 2,305 staff years to work in this category. This is 81 staff years more than the 2,224 staff years for such work in FY 1976. The increase is needed so that we can meet our responsibilities in FY 1977 for new programs and for those that have been substantially expanded. I have already briefly discussed the new or changed programs which will impact on GAO in FY 1977. Before requesting increases to permit us to provide the needed coverage of these programs, we first made all of the adjustments among existing programs that we believe to be possible and still meet the significant responsibilities assigned to us. Thus, the increase that we are requesting is a minimal one.

COMMENTS ON OTHER PROGRAM CATEGORIES

All of our program categories are described in the "Justification of Estimates." My comments thus far have covered the larger ones. I would like now to briefly highlight the remaining categories.

Examination of Agencies' Financial Systems, Transactions, Accounts, and Reports

As we perform work under other program categories, we consider financial implications. Work under this category is primarily directed to financial accountability. It emphasizes the completeness and accuracy of accounting records and statements, the validity of financial transactions, and the timeliness and usefulness of reports.

Under it, we review accounting systems as they actually operate in connection with agency programs throughout the Government. We audit and settle the accounts of accountable officers in both civil and military departments and agencies and at military finance centers. We also make audits of Government corporations which are required by the Government Corporation Control Act of 1945.

Staff year requirements will not increase in FY 1977 over the 239 staff years required for FY 1976. We will continue to emphasize audits of systems rather than individual transactions.

Financial Management Improvement

This category brings together GAO-wide work directed to improving financial management in Government. In FY 1977, we will:

- continue our participation in the Joint Financial Management Improvement Program,
- assist Federal, State, and local governments to improve their accounting, auditing, and program evaluation standards and methods.
- review and, where warranted, approve agency accounting systems.

In total, there are 286 accounting systems subject to approval. Full approval involves both the principles and standards of the systems and their design. While 98 percent of the systems have been approved as to principles and standards, the design of only 52 percent has been approved. Our schedule contemplates having all agency accounting systems approved by the end of FY 1980. Agency reaction has been good. To meet our 1980 goal, we will need to review and approve 138 systems designs in the next five years.

--help committees get the fiscal, budgetary and program information that they need and to effectively use the information that they get.

Staff year requirements for this category will increase modestly--to 198 staff years. One hundred eighty-two are required in FY 1976.

Claims Settlement and Debt Collection Activities

As you know, this category includes our work in settling claims by and against the United States. Under it, we respond to claims presented to us for settlement. In order to handle the workload volume projected for FY 1977 in a reasonably timely manner, we will need to increase our staff years by 4--to 136. In FY 1976 and continuing in FY 1977, we will work with agencies to strengthen their own claims review and collection functions so that prospectively the volume of claims referred to us will be diminished.

Legal Services and Decisions

Our legal work covers virtually the full range of Government receipt and expenditure activity. This work involves:

- preparation of legal decisions on questions within the jurisdiction of the Comptroller General,
- preparation of legal decisions in response to requests of unsuccessful bidders,
- furnishing legal reference and legislative services,
- legal review of audit reports,
- legal services to committees and Members of the Congress, and
- legal services to divisions and offices of GAO.

We will need 209 staff years for this work in FY 1977 as compared to 200 in FY 1976. The increase of 9 staff years is needed to respond to workload increases. It will permit us to keep pace with requests for decisions and information submitted from sources outside GAO in a timely manner. It will also provide the timely legal support that our auditing divisions need to meet their assigned responsibilities.

Executive Direction and Management Services

This program category includes activities of a number of individual offices which manage and support the work of our operating divisions. We will need an increase of 25 staff years in this category to permit us to:

- meet an increased printing workload on a more timely and economical basis,
- fulfill the needs for increased training and staff development made necessary by a professional staff progressively more interdisciplinary in composition, and
- expand library and reference services for use by professional staff in their survey and review work. We have found that by expanding this specialized capability, we will be able to provide a wider range of research and reference material to audit staff quicker and more economically than has previously been possible.

CONCLUSION

The General Accounting Office has the biggest audit, monitoring, and oversight job in the world. We are keenly aware that to do it effectively and economically requires careful attention and prudent judgment. Over the

years, we have developed approaches and procedures by which we determine those things which most need to be done--collectively and in terms of individual assignments. The resource request that we are submitting today is, I believe, a reasonable one carefully directed to meeting the responsibilities that the Congress has assigned to us.

My associates and I will be happy to answer any questions that you may have.

PLANNED APPLICATION OF RESOURCES BY
DIVISIONS AND OFFICES

<u>Division or Office</u>	<u>Total Staff-Years, (including field time, and consultants)</u>			<u>Reference</u>
	<u>FY 1976</u>	<u>FY 1977</u>	<u>Change</u>	
.Office of the Comptroller General	12	13	+1	E
.Special Staff Services	14	14	--	F
.Office of the General Counsel	235	244	+9	G
.Assistant Comptroller General				
Policy and Program Planning	40	41	+1	H
.Assistant Comptroller General				
Special Programs	187	261	+74	I
.Federal Personnel and				
Compensation Division	285	269	-16	J
.Financial and General Management				
Studies Division	346	356	+10	K
.Joint Financial Management				
Improvement Program	10	10	--	L
.General Government Division	476	460	-16	M
.International Division	244	248	+4	N
.Logistics and Communications				
Division	491	492	+1	O
.Manpower and Welfare Division	694	731	+37	P
.Procurement and Systems				
Acquisition Division	525	538	+13	Q
.Resources and Economic				
Development Division	544	575	+31	R
.Claims Division	145	150	+5	S
.Field Operations Division	151	155	+4	T
.Management Services Organization	495	518	+23	U
TOTAL	<u>4,894</u>	<u>5,075</u>	<u>+181</u>	

BEST DOCUMENT AVAILABLE

REPORTS TO COMMITTEES AND MEMBERS OF
CONGRESS
FISCAL YEAR 1975 AND
FIRST 6 MONTHS OF 1976 AND
REQUESTS ON HAND AT DECEMBER 31, 1975

	<u>Number of Reports</u>		<u>Requests</u>
	<u>FY 1975</u>	<u>6 Months of FY 76</u>	<u>on hand 12/31/75</u>
House Committees:			
Agriculture			3
Appropriations	23	10	16
Armed Services	10	4	3
Banking, Currency and Housing	2	3	2
Budget		1	1
District of Columbia	1		2
Education and Labor	5	1	9
Foreign Affairs	5		
Government Operations	21	13	26
House Administration	1	1	-
Interior and Insular Affairs		1	5
International Relations	2	10	6
Interstate and Foreign Commerce		3	11
Judiciary	3		5
Merchant Marine and Fisheries	4		3
Post Office and Civil Service	6	7	7
Public Works and Transportation	1		6
Science and Technology	1	3	7
Small Business	2	1	1
Veterans' Affairs	1		
Ways and Means		1	5
Commission on Information and Facilities		2	-
Senate Committees:			
Aeronautical and Space Sciences		1	
Agriculture and Forestry	1	2	5
Appropriations	21	15	32
Armed Services	12	4	3
Banking, Housing and Urban Affairs	3	1	6
Budget		1	2
Commerce	12	3	4
Finance	11	2	4
Foreign Relations	7	1	1
Government Operations	14	11	18
Interior and Insular Affairs	1	1	3
Judiciary	3	1	6
Labor and Public Welfare	5	3	7
Post Office and Civil Service		1	
Public Works	4	1	2
Veterans' Affairs	3	1	5
Nutrition and Human Needs, Select			2
Small Business, Select	1		
Aging, Special	2		5
Joint Committees:			
Atomic Energy	2	4	1
Congressional Operations	1		
Defense Production		1	2
Economic	9	8	3
Internal Revenue Taxation	2	3	10
Printing	3	1	2

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ATTACHMENT II

	<u>Number of Reports</u>		<u>Requests</u>
	<u>FY 1975</u>	<u>6 Months of FY 76</u>	<u>on hand 12/31/75</u>
Total all Committees	205	127	241
To Officers of the Congress	<u>8</u>	<u>2</u>	<u>3</u>
Total all Committees and Officers of the Congress	<u>213</u>	<u>129</u>	<u>244</u>
Individual Requests by Members	<u>255</u>	<u>126</u>	<u>278</u>
Total Committees and Members	<u>468</u>	<u>255</u>	<u>522</u>
Reports to Congress as a whole	<u>199</u>	<u>92</u>	<u>-</u>
Grand Total	<u>667</u>	<u>347</u>	<u>522</u>

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ADDENDUM TO FY 77
GAO BUDGET REQUEST
FOR REQUIREMENTS TO IMPLEMENT
THE ENERGY POLICY AND CONSERVATION ACT

FY 1977 APPROPRIATION

REQUEST SUMMARY

ENERGY & OIL POLICY CONSERVATION ACT

Personnel Compensation	\$ 2,467,000
Personnel Benefits	207,000
Moving Allowances	154,000
Travel	211,000
Transportation of things	197,000
Office Rent	83,100
ADP Requirements	83,500
Contract Services	500,000
Supplies & Materials	16,800
Equipment	<u>61,600</u>
Subtotal	3,981,000
Requested in "Justification of Estimates"	<u>147,437,000</u>
Total FY 1977 Appropriation Requested	<u><u>\$151,418,000</u></u>

ADDENDUM TO FY 77
GAO BUDGET REQUEST
FOR REQUIREMENTS TO IMPLEMENT
THE ENERGY POLICY AND CONSERVATION ACT

	<u>FY 1976</u>		<u>FY 1977</u>		<u>Change</u>	
	<u>Staff-year</u>	<u>Dollars</u>	<u>Staff-year</u>	<u>Dollars</u>	<u>Staff-year</u>	<u>Dollars</u>
Professional & Technical	17	\$415,700	78	\$1,834,000	+61	+\$1,418,300
Support	3	19,800	7	66,000	+ 4	+ 46,200
Consultant	<u>6</u>	<u>226,800</u>	<u>15</u>	<u>567,000</u>	<u>+ 9</u>	<u>+ 340,200</u>
Total	26 <u>a/</u>	\$662,300 <u>a/</u>	100	\$2,467,000	+74	+\$1,804,700
Positions at June 30	50		85			

a/ Resources required in FY 1976 are being reprogrammed from other functions to avoid requesting supplemental funds. Reprogramming of FY 1977 resources would seriously affect our ability to execute presently planned work. FY 1977 resources are therefore additive to our original request of 5,075 staff years.

SCOPE AND NATURE OF WORK PROGRAM

The Energy Policy and Conservation Act (P.L. 94-163, December 22, 1975) will have significant effect on the work of GAO

The major effect will come from title V which grants GAO very broad authority to verify the accuracy of energy information submitted by persons or companies to the Federal Government, or any piece of energy information which a Federal agency might obtain from public sources for use in carrying out its official functions.

There will also be an effect on our continuing audit and evaluation work at the Federal Energy Administration (FEA)

since the other titles of the new act give FEA added responsibilities to:

- Expand programs to convert power plants from oil and gas to coal
- Develop a strategic petroleum reserve of 1 billion barrels
- Develop standby plans for rationing and mandatory conservation
- Administer a program of grants to States to promote therein conservation programs
- Establish industrial energy conservation programs
- Develop oil allocations for international energy program (a sharing of petroleum resources in the event of further boycotts)
- Develop standby mandatory allocations for asphalt

We are currently required by Section 12 of the Federal Energy Administration Act (15 U.S.C. 771) to monitor and evaluate the operations of FEA. With the expanded FEA programs under the new act, this will have a significant impact on our work.

Title V

Specifically, Section 501 states that GAO may use its authority to inspect the books and records of private persons and companies if the following conditions are met:

1. A person or company is legally required to submit energy information to FEA, the Federal Power Commission (FPC),

or the Department of the Interior; or

2. A company is engaged in the energy business (other than at the retail level) and

a. It furnishes energy information directly or indirectly to any Federal agency (excluding IRS), and

b. GAO determines that the Federal agency uses this information in carrying out its official functions; or

3. The energy information is any financial information pertaining to a vertically integrated petroleum company.

GAO shall conduct such verification examinations if requested to do so by a congressional committee having legislative or oversight responsibilities over energy matters or any laws administered by FEA, FPC, or Interior.

In carrying out these responsibilities, the Comptroller General is authorized to (1) sign and issue subpoenas, (2) require any person to reply to interrogatories, (3) administer oaths, and (4) assess and collect civil penalties not to exceed \$10,000 for each violation. In addition to reports on individual requests, the Comptroller General is required to submit an annual report to the Congress identifying any deficiencies in energy or financial information, including actions taken to correct such deficiencies.

We anticipate that our new authority will generate a substantial number of requests from congressional committees to examine energy company records. We reach this conclusion based on the following assumptions.

At least 33 congressional committees have some jurisdiction over energy matters and any of them could request us to exercise our new authority. In addition there are 86 subcommittees to these 33 committees which deal with energy matters.

Much of the debate in Congress over energy issues since the Arab embargo has had at its roots a basic distrust of the motives and operations of the big multi-national oil companies. The oil companies have not always helped their own cause by using the concept of "proprietary information" to shield them from responding to questions by members of Congress during hearings. Whether or not there is a basis in fact for mistrust, we are certain that a number of requests will be forthcoming for GAO to "get the facts" concerning various allegations made against the energy companies.

We assume that the energy issues and problems being discussed today will not go away in the next few years, and we expect GAO to be called upon to provide answers to the many questions punctuating current congressional energy debates. Such issues include:

1. Oil and Natural Gas Pricing - The Federal Government currently controls by various means prices on oil and gas. We anticipate that these controls will continue for the next few years. As long as the energy industry continues to oppose price controls by arguing that higher prices will lead to higher production, the Congress will continually be raising questions concerning oil and gas prices.

Such questions as might be asked of GAO are:

a. Are companies failing to develop reserves and are they shutting-in reserves in anticipation of higher prices?

b. Are companies accurately reporting "old" and "new" oil production to FEA?

c. Are price actions undertaken by FEA and FPC justified on the basis of actual costs incurred by the energy companies?

d. Are the acquisition costs of imported oil being accurately reported to FEA?

e. Are industry profits justified?

2. Oil and Gas Reserves and Resources - While industry argues for higher prices to spur additional oil and gas production, others argue that the United States is running out of resources and higher prices will not yield additional production. GAO could be requested to evaluate heretofore confidential company information to determine the adequacy of U.S. oil and gas reserves and the industry's ability to convert resources to reserves.

3. Divestiture of Integrated Oil Companies - There is a controversy in the Congress over the relationship between vertical integration in the oil and gas industry and the resulting control or lack of control on supply and price. GAO could well be called on to determine profitability, and supply and market control exercised by the major oil companies.

Staffing Needs

We are requesting 100 staff-years for FY 77 to carry out our responsibilities as a result of the Act. Ninety-five staff-years will be needed to implement title V and 5 staff-years will be needed at our FEA audit site to adequately monitor and evaluate FEA's expanded responsibilities.

Given the broad framework of title V, certain key assumptions must be made in developing an action and staffing plan to carry out the intent of the Act. These are:

- at least 75 percent of our work will be in response to committee requests;
- the majority of our work will involve oil and natural gas companies;
- the complexity of energy company operations and the scope of work required will require new professional expertise not currently available in GAO, e.g., geologists, petroleum engineers, and petroleum accountants;
- a minimal legal staff should be committed to title V activities.
- field work will be crucial because industry records are maintained at corporate and operational headquarters scattered throughout the country and abroad,
- a strong Washington staff will be required to coordinate field operations, process, evaluate, and develop reports and interface with committee staffs.

In order to effectively respond to these requests on a timely basis we are establishing a separate staff with title V responsibilities in the Office of Special Programs which is currently responsible for the coordination of all GAO energy-related activities.

The table belows shows staff by location and type.

	<u>Staff-years</u>	
Washington - Office of Special Programs		
<u>Title V</u>		
Professional/Technical	23	
Support	3	
Consultants	15	41
<u>FEA Audit Site</u>		
Professional/Technical	5	5
Field - Dallas		
Professional/Technical	30	
Support	4	34
Field - Other Locations		
Professional/Technical	20	<u>20</u>
TOTAL		<u>100</u>

A staffing level of the magnitude we recommend should be large enough to effectively respond to several major congressional requests in its first full year of operation. A staff level significantly smaller than our recommendation could result in a

performance of nothing more than fighting a few fires.

On the other hand, a staffing level much larger than our recommendation would be difficult to hire, train, and assimilate.

The majority of our work under the title V authority will be in the field, away from Washington, since the data we will be attempting to verify will have been collected at such places as the refinery, oil well, or coal mine. However, we believe it necessary to have a sizeable headquarters staff in Washington to (1) discuss the requests with the appropriate committees, (2) monitor, review, and coordinate energy information reported to the affected Federal agencies, (3) prepare the work program and supervise the field work, (4) supplement field capability on an as needed basis, and (5) evaluate, process, and develop final reports and prepare the annual report required by law. A core staff of 23 professionals, 3 support persons, and 15 consultant staff-years in Washington should be sufficient to accomplish these functions. Fifty-four staff-years would be allocated to analyzing and verifying the data at field locations and the remaining 5 staff-years would be used at the FEA audit site for functions under the remainder of the act outside of title V.

We foresee the need for \$500,000 in contract funds and 15 staff-years of consultant time. In the case of a major request in a highly technical and complex area, such as reserve estimation or company divestiture, GAO could see fit to use contractors' services, or convene a board of expert consultants

to assist in developing the audit. The use of consultants is particularly helpful when specialized talents are needed in a timely, but not constant fashion. Many times it would not be sensible to hire full-time permanent staff to cover a highly specialized area and consultants can help in those situations. Consultants, particularly those of an academic background, can be useful in reviewing and evaluating audit plans and results.

U.S. GENERAL ACCOUNTING OFFICE

SALARIES AND EXPENSES
SUMMARY OF AMOUNTS REQUESTED

Tab Reference		1976 Estimate			Changes 1976 to 1977			1977 Estimate		
		Total Positions ^{1/}	Staff- Years [*]	Salaries ^{2/}	Total Positions ^{1/}	Staff- Years [*]	Salaries ^{2/}	Total Positions ^{1/}	Staff- Years [*]	Salaries ^{2/}
E	OFFICE OF THE COMPTROLLER GENERAL	12	12	\$ 364,200	+ 1	+ 1	+5 10,500	13	13	\$ 374,700
F	SPECIAL STAFF SERVICES	20	20	407,300	---	---	13,000	20	20	420,300
G	OFFICE OF THE GENERAL COUNSEL	249	235	4,503,900	+ 12	+ 9	+ 277,000	261	244	4,780,900
H	ASSISTANT COMPTROLLER GENERAL POLICY AND PROGRAM PLANNING	40	39	909,500	---	+ 1	+ 71,400	40	40	980,900
I	ASSISTANT COMPTROLLER GENERAL SPECIAL PROGRAMS	158	154	3,730,300	+ 61	+ 49	+ 1,229,000	219	203	4,959,300
	ASSISTANT COMPTROLLER GENERAL OFFICE OF PROGRAM ANALYSIS	2	2	57,000	---	---	---	2	2	57,000
	OFFICE OF SPECIAL PROGRAMS	97	101	2,497,900	+ 35	+ 28	+ 805,700	132	129	3,303,600
		59	51	1,175,400	+ 26	+ 21	+ 423,300	85	72	1,598,700
J	FEDERAL PERSONNEL AND COMPEN- SATION DIVISION	112	108	2,256,500	+ 1	+ 1	+ 113,600	113	109	2,370,100
K	FINANCIAL AND GENERAL MANAGE- MENT STUDIES DIVISION	213	205	4,874,900	+ 13	+ 10	+ 469,700	226	215	5,344,600
L	JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM	10	10	254,100	---	---	+ 16,800	10	10	270,900
M	GENERAL GOVERNMENT DIVISION	246	225	4,768,600	+ 2	+ 2	+ 364,600	248	227	5,133,200
N	INTERNATIONAL DIVISION	288	278	6,345,400	+ 1	+ 1	+ 394,300	289	279	6,739,700
O	LOGISTICS AND COMMUNICATIONS DIVISION	198	192	4,290,100	+ 1	+ 1	+ 271,900	199	193	4,562,000
P	MANPOWER AND WELFARE DIVISION	314	292	6,020,400	+ 28	+ 22	+ 783,100	342	314	6,803,500
Q	PROCUREMENT AND SYSTEMS AC- QUISITION DIVISION	187	183	4,338,400	+ 8	+ 7	+ 335,400	195	190	4,673,800
R	RESOURCES AND ECONOMIC DEVEL- OPMENT DIVISION	293	274	5,914,500	+ 21	+ 17	+ 692,300	314	291	6,606,800
S	CLAIMS DIVISION	155	145	2,063,500	+ 5	+ 4	+ 145,600	160	149	2,209,100
T	FIELD OPERATIONS DIVISION	2,145	2,033	40,300,000	+ 44	+ 33	+ 2,346,900	2,189	2,066	42,646,900
U	MANAGEMENT SERVICES ORGANIZA- TION	486	489	7,326,200	+ 28	+ 23	+ 601,100	514	512	7,927,300
	SUB-TOTAL	5,126	4,894	98,667,800	+ 226	+ 181	+ 8,136,200	5,352	5,075	106,804,000
	TRANSPORTATION RATE AUDIT FUNCTION TRANSFER	---	117	1,664,600	---	117	+ 1,664,600	---	---	---
	SUB-TOTAL	5,126	5,011	100,332,400	+ 226	+ 64	+ 6,471,600	5,352	5,075	106,804,000
V-2	PERSONNEL BENEFITS			9,837,400			+ 878,200			10,716,000
V-5	TRAVEL			9,586,500			+ 587,500			10,174,000
V-7	OTHER EXPENSES			15,825,300			+ 3,917,700			19,743,000
	SUB-TOTAL	5,126	5,011	135,582,000	+ 226	+ 64	+ 11,853,000	5,352	5,075	147,437,000
	ENERGY POLICY AND CONSERVATION ACT P.L. 94-163									
	SALARY AND BENEFITS	---	---	---	+ 85	+ 100	+ 2,674,000	85	100	2,674,000
	TRAVEL AND OTHER EXPENSES	---	---	---	---	---	+ 1,307,000	---	---	1,307,000
	SUB-TOTAL	---	3/	3/	+ 85	+ 100	+ 3,981,000	85	100	3,981,000
	TOTAL GAO	5,126	5,011	135,582,000	+ 311	+ 164	+ 15,836,000	5,437	5,175	151,418,000
V-14	TRANSFER TO OTHER AGENCIES			7,018,000			+ 7,018,000			---
	ESTIMATED OBLIGATIONS 1976 AND 1977			\$142,600,000			+ \$ 8,818,000			\$151,418,000
	APPROPRIATION 1976			\$137,222,000						
	PROPOSED SUPPLEMENTAL			5,378,000						

*See page 2 for distribution of Field and Overseas staff-years by division and office in fiscal years 1976 and 1977.

1/Includes all permanent and full-time employees.

2/Includes funds for permanent and full-time employees; temporary, summer, and co-op employees; overtime and holiday pay; night and post differentials.

3/See footnote "a" page 1, Addendum to FY 77 GAO Budget Request.