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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 1973



FEB 22 1972

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate this opportunity to present our budget estimates and our plans for the operation of the General Accounting Office in FY 1973. In a separate volume, we have furnished details on the work programs, manpower, and funds proposed to support these plans. I would like to highlight the major factors which were considered in developing them.

Our appropriation for FY 1972 is \$87,108,000. The pay increase which became effective January 9, 1972, adds \$2,100,000--raising the total budget estimate for this fiscal year to \$89,208,000.

We expect to fully utilize these funds. But in doing so we are reprogramming \$1,040,000 by reducing the man-years to be financed, 111 below the number provided in our FY 1972 appropriation. We had decided to accept this reduction in line with the President's Government-wide economy moves instituted last August. However, Congress has recently passed two bills--The Federal Election Campaign Act and The Presidential Election Campaign Fund Act--which impose a major new workload on the GAO beginning this fiscal year, and which necessitate the use of our voluntary savings to finance this unforeseen requirement. As a result, we will require the full amount of the pay supplemental to cover the 5.5 percent pay increase.

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BUDGET ESTIMATE FOR 1973

Our fiscal year 1973 budget estimate of \$97 million represents a net increase of \$7,792,000 over our 1972 appropriation and supplemental, or an increase of 8.7 percent. This increase is made up of the following items:

1. <u>Annualization of 1972 Changes</u>		
a. Pay adjustments -----	\$2,743,600	
b. Office of Federal Elections -----	560,000	
(increase over \$1,040,000)	<u>          </u>	\$3,303,600
2. <u>1973 Increases for Present Staff</u>		
a. Grade changes, step increases, and related benefits -----	1,299,600	
b. Travel -----	<u>235,000</u>	1,534,600
3. <u>Increase of 239 Man-years in Staff</u>		
a. Salaries and benefits -----	1,888,900	
b. Travel (\$375,000) and other expenses (\$80,900) -----	<u>455,900</u>	2,344,800
4. <u>Increase in Support Costs</u>		
a. Space, rents, communications ----	316,774	
b. Contract and other services -----	<u>292,226</u>	<u>609,000</u>
Total		<u>\$7,792,000</u>

### NEED FOR INCREASED STAFF

Our FY 1973 request identifies a requirement for 5,007 man-years. This number does not include 35 man-years needed for the Office of Federal Elections which I shall discuss later in the statement. The 5,007 man-years is:

1.7% more than the 4,921 man-years requested for FY 1972

2.6% more than the 4,879 man-years allowed in FY 1972 appropriation

5.0% more than the 4,768 man-years now planned for FY 1972, after voluntary reduction of 111

Our divisions and offices submitted 1973 work plans which called for 5,301 man-years.

As outlined in the remainder of my statement, our requested increase in staff is needed to enhance our ability to support congressional requirements and to improve our capability to conduct program reviews and cost-benefit analyses.

First, I would like to highlight for you the impact of recent legislative and other congressional actions on our work programs and our need for additional staff resources.

IMPACT OF RECENT LEGISLATIVE AND OTHER  
CONGRESSIONAL ACTIONS ON GAO PROGRAMS

As I indicated in my statement last year, numerous legislative and other congressional actions--including general legislation, legislation requiring GAO to make specific studies and reviews, and legislation creating new Federal programs or increasing Federal program levels--have a marked continuing effect on GAO work. The impact of the Legislative Reorganization Act of 1970, for example, will continue and, we believe, increase considerably in the foreseeable future. Such prior legislative actions must continue to receive attention in our program and resource planning along with the more recent legislation and also with that which seems to be on the horizon. My emphasis today, however, will be on recently-passed and pending legislation.

EXAMPLES OF RECENT LEGISLATIVE ACTIONS  
INCREASING GAO WORKLOAD

There have been a number of significant legislative actions occurring since January 1, 1971, that have materially added to our workload. For example:

1. The Emergency Loan Guarantee Act requires GAO to make a detailed audit of the books and records of borrowers applying for loan guarantees under this Act. We have been auditing Lockheed Aircraft Corporation since last fall in this regard and also in compliance with laws requiring audit of payments for the C-5A aircraft procurements.
2. The Federal Election Campaign Act requires GAO with regard to presidential candidates to prescribe rules, regulations, reports, and accounting systems; arrange for publication of reports received; make compilations of data based on reports received; contract for independent studies of administration of elections; and make audits and investigations.

3. The Presidential Election Campaign Fund Act requires GAO to certify payments to which candidates for President and Vice President are entitled from the special fund established and, after each presidential election, to audit and report to the Congress on the campaign expenses incurred and any repayments required.
4. The Comprehensive Health Manpower Training Act requires that GAO conduct a major study of health facilities construction costs with the prime objective of identifying new approaches and construction techniques which will substantially reduce health facility construction costs.
5. Public Law 92-12 which established the Rural Telephone Bank provides for GAO audit and reporting to the Congress in accordance with the provisions of the Government Corporation Control Act.
6. The Emergency Employment Act of 1971 created a new major Federal program subject to GAO audit and review; the Act provides \$2.25 billion for public employment programs during 1972 and 1973.
7. The Occupational Safety and Health Act, effective April 1971, greatly expanded the Department of Labor's activities subject to GAO audit and review; about 57 million workers and 4.1 million business establishments are covered under the Act.
8. House Conference Report 92-664 on military construction appropriations for fiscal year 1972 recommended that GAO conduct a review of the efficiency of construction management and the equitableness of charges by construction agencies for supervision, inspection, and overhead, including comparisons with industry experience.
9. House Committee on Appropriations Report 92-666 provides for GAO to make a review of the specifications and the engineering study for the Army's Tactical Operations System--an automatic data processing system for providing military commanders strategic operations information which is estimated to cost about \$192 million.

EXAMPLES OF PENDING LEGISLATION  
WHICH, IF ENACTED, WILL INCREASE GAO WORKLOAD

At December 31, 1971, there were many legislative bills in various stages of processing in the Congress which, if enacted, will have a marked impact on GAO workload. For example:

1. H.R. 11950 (November 30, 1971), a revenue sharing bill, assigns to the GAO extensive guidance, review, and audit functions relating to local government expenditure plans and accounting for payments received to insure that expenditures comply fully with the requirements of Title I; Title I provides for payments to local governments from a trust fund created out of receipts from Federal individual income tax collections (Intergovernmental Fiscal Coordination Act of 1971).
2. H.R. 30 (January 22, 1971) provides for the GAO, in cooperation with the executive branch, to develop and issue standards of auditing for the guidance of Federal agencies, State and local governments, and independent public accountants engaged in the audit of Federal assistance programs and to review the implementation of the standards and the Federal agency use made of the audits performed (Intergovernmental Cooperation Act of 1971).
3. H.R. 7248 (April 6, 1971) requires GAO to review, audit, and evaluate any Federal education program upon request of responsible congressional committees or committee members, especially with regard to agencies' practices for contracting for studies and services, and also creates new education programs subject to GAO audit. (The House Committee on Education and Labor Report stated that the additional workload would require a \$1 million increase in the GAO annual appropriation.)
4. H.R. 1369 (January 22, 1971) provides for GAO to make annual reports to the Congress on contracts for \$10,000 or more in which the price increased 10 percent or more over the estimate or which were completed more than 6 months after the estimated completion date.
5. H.R. 10429 (August 5, 1971) requires GAO to gather and compile annually for the members of Congress information with respect to the reprogramming of appropriated funds for purposes other than those originally intended.

6. H.R. 9998 (July 21, 1971) requires GAO to study and report on part-time employment in the executive branch and the feasibility of redesigning positions with a view to increasing the number of positions for older individuals at the subprofessional level and to make recommendations to the Congress.
7. S. 2782 (November 2, 1971) requires GAO to review the operations of nonappropriated funds and related activities of the executive branch, the systems of accounting and internal controls, and internal or independent audits made of the funds.
8. S. 2770 (November 2, 1971) and H.R. 11896 (November 19, 1971) require GAO to study and review research, pilot, and demonstration programs related to prevention and control of water pollution, including waste treatment and disposal techniques, of all Federal agencies. These bills would also require GAO to audit annually, in accordance with the Government Corporation Control Act, an Environmental Financing Authority, created to finance the non-Federal share of the cost of projects eligible for Federal assistance under the Federal Water Pollution Control Act.
9. S. 1113 requires GAO to make Government-wide studies and reviews of programs related to the whole area of environmental quality--air pollution, water pollution, solid waste disposal, general pollution, and degradation of the environment.
10. S. 2986 (December 10, 1971) would replace the Federal Regulation of Lobbying Act. It would enlarge the lobbying activity disclosure requirements and require GAO to administer the provisions of the Act, including prescribing regulations and reporting requirements, and compiling and summarizing information for the Congress on the sources and amounts of funds and other resources used in influencing the legislative process through direct communication (Open Government Act).
11. S. 2652 (October 5, 1971) requires GAO to audit annually the financial transactions and activities of the District of Columbia and to render audit reports to the Congress, the Mayor, and the Council.

In addition to these examples of pending legislation directing specific audits and reviews by GAO, there are, of course, a number of bills that would create new or expand existing programs subject to GAO audit and review.

In preparing our manpower and appropriation requirements, we have considered the impact that legislative actions will have on GAO resources. We do not add staff for each requirement, but assess the impact of all on an overall basis.

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For overall Office planning and management of our staff resources, we classify our work into seven broad program categories. These are described in detail in our Justification of Estimates. I would like now to comment briefly on our work from the standpoint of these seven program perspectives. The first is:

DIRECT ASSISTANCE TO THE CONGRESS

The principal objective of GAO is to render maximum assistance to the Congress, its committees, and members, consistent with our responsibilities as an independent, nonpolitical agency. We view all of our work as being of assistance to the Congress in carrying out its legislative and oversight functions. We, therefore, direct our audit staff resources into work that will produce information on the results of Federal programs and agency operations that will be useful to the Congress and in areas which will fulfill the greatest apparent need and benefit to the Government.

We do, however, for planning purposes classify certain work as being of direct assistance to the Congress. This work includes:

- . Specific surveys, reviews, and studies directed by legislation.
- . Special surveys, audits, and reviews requested by congressional committees and individual congressmen, including recommendations for GAO studies contained in committee reports.

- . Testimony, including special preparation required, at hearings on GAO reports and other matters.
- . Work performed by GAO staff members assigned to congressional committees.
- . Tasks involved in advising and assisting committees and individual congressmen on legal, legislative, accounting, and auditing matters--especially with regard to legislation under consideration.
- . Accounting, auditing, and advisory services with regard to House and Senate financial and administrative operations, including audits of concessionaires and other activities.
- . Liaison activities with congressional committees and individual members provided by our Office of Legislative Liaison and members of our operating divisions.

The GAO staff resources applied to these activities have continually increased in the last 6 years. This upward trend reflects our efforts to improve GAO's services as an independent, nonpolitical, and reliable source of assistance to the Congress in carrying out its legislative and oversight responsibilities. This objective receives the constant attention of our top management.

During 1971, we applied a total of 668 man-years to activities involving direct assistance to the Congress, its committees, and members. This will increase to about 790 man-years in 1972 and we anticipate a further increase to about 885 man-years in 1973. This increase is anticipated in view of the growing interest of the committees and members in assuring that funds provided are used wisely and economically to carry out authorized Federal programs, especially in defense, foreign aid, education, manpower, pollution, health, income security, transportation, and housing programs.

While the 885 man-years for 1973 is our estimate of manpower needed for work we classify as direct assistance to the Congress, as I pointed out earlier, all of our self-initiated reviews of management efficiency and program results (2,237 man-years in 1973) have as their objective assistance to the Congress and its committees in performing their legislative and oversight responsibilities. The results of this work, as well as specific committee request work, are frequently used by appropriation and other committees.

To illustrate, I might quote here from the Senate Armed Services Committee Report 92-359, dated September 7, 1971, on H.R. 8687 authorizing appropriations for fiscal year 1972 for procurement of military aircraft, missiles, etc. Under a heading "Assistance from the General Accounting Office," the Committee stated:

"The committee has received valued assistance from the GAO in performing many of the evaluations of segments of weapons programs, procurement and management as well as other areas of special interest to the committee in preparing for the analysis of the budget presentation. This assistance is extended throughout the year and provides the committee with supplemental expertise in the matters of procurement and management especially related to contracting and cost."

During fiscal year 1971, we issued 277 reports to committees and members on specific requests for a wide variety of reviews and inquiries. For the first half of fiscal year 1972, we issued 138 such reports and, at December 31, 1971, we had on hand an additional 205 requests on which our staffs were performing required work.

The requests cover a wide range of activities; some require a great deal of staff time. For example, in response to a request dated July 28, 1971, from the Chairman, Subcommittee on Employment, Manpower,

and Poverty, Senate Committee on Labor and Public Welfare, we are conducting a review of the Department of Labor's implementation and administration of public employment programs under the Emergency Employment Act of 1971 (Public Law 92-54, July 12, 1971). The review, which we estimate will require about 45 man-years, covers the activities of 8 states, 9 counties, and 12 cities designated as program agents to carry out the emergency employment programs. We plan to provide the Chairman with a summary report early in 1973 for the Subcommittee's use in evaluating the effectiveness of the Act which is scheduled to expire on June 30, 1973.

Other examples of matters we have reviewed or are reviewing at the request of committees and individual members are:

1. The effectiveness of Federal-supported problem-oriented research activities, such as the National Science Foundation's RANN program, in Federal agencies, academic and non-profit institutions, industrial firms, and State and local governments.
2. The adequacy of the regulatory functions of the Division of Biologics Standards of the National Institutes of Health in relation to selected vaccines.
3. The manner in which Section 102 of the National Environmental Policy Act is being implemented especially with regard to the preparation and use of environmental impact statements.
4. The effectiveness of the development, installation, and operation of military tactical, logistics, and administrative computer systems. (This has been a continuing request since September 1969.)
5. The extent of alcoholism among civilian and military personnel and the need for rehabilitation programs.
6. The problems related to cost control and procurement at major private shipyards and such related matters as Government surveillance of shipbuilders, the shipbuilding market, etc.

7. The increasing costs of the Navy F-14 fighter aircraft program.
8. The causes and impact of the defects in the C-5A aircraft and the alleged unsatisfactory management practices at the Lockheed-Georgia Company.
9. The issues and areas in which the administration's proposed reorganization of the foreign aid and foreign military sales programs need further consideration by the Congress in formulating legislation.
10. The problems relating to refugees and other war-related issues applicable to Vietnam, Laos, and Cambodia.
11. The feasibility of measuring productivity in the Federal sector of the economy.
12. The adequacy of the accounting and reporting practices of dealers in Government securities who report to the Federal Reserve Bank of New York.

More details on these and other examples are included in Attachment A to my statement.

Our second program category is:

REVIEWS OF MANAGEMENT EFFICIENCY AND PROGRAM RESULTS

In planning this work, we give special emphasis to Federal programs and agency operations in which there is strong present or potential congressional interest and opportunities for improvement. To do this we maintain continuous contact with the committees and their staffs through briefing sessions and discussions of matters of mutual concern. Consequently, we coordinate and plan GAO-initiated work, as well as our direct assistance work, to assure that we cover significant and timely issues and our reports are as responsive as possible to the needs of the Congress.

Many of our reports to the Congress, resulting from GAO-initiated work, are used in committee hearings or other actions related to

Congress' legislative and oversight responsibilities. Committee interest in this work tends to strengthen our efforts to achieve improvements and economies because departments and agencies are aware of the possibility that committee action may result from information disclosed in GAO reports.

The 2,237 man-years which we plan to apply to our GAO-initiated reviews during fiscal year 1973 represent an increase of 123 man-years over the fiscal year 1972 program level of 2,114 man-years. At December 31, 1971, we had underway, in various stages, about 1,000 GAO-initiated reviews primarily of matters known to, or believed will, be of interest and use to the Congress and its committees.

#### Domestic Civilian Programs

We assume there will be continued growth in the number and size of domestic civilian programs and in the portion of the total Federal resources applied to them. Accordingly, we plan to increase our staff resources applied to their review in 1973.

In performing our reviews of domestic civilian programs, we are directing more of our efforts to providing the Congress and agencies with information on the progress made in achieving program objectives, on program deficiencies which impede operational success or increase program costs, and on possible alternative approaches to accomplishing the objectives intended by Congress.

An example of this is our report on "Problems in Accomplishing Objectives of the Work Incentive Program (WIN)" in the Departments of Labor and Health, Education, and Welfare, dated September 24, 1971. In that report, we recommended improvements which were within the

purview of the responsible Federal agencies and also recommended to the Congress specific changes in legislation which, we believe, would improve the design of the program. More details on this and other examples are included in Attachment A.

In performing our reviews of domestic civil programs, we are also broadening our scope, where appropriate, to include all related programs which cross agency lines. An example of this is our review of the impact of Federal programs to improve the living conditions of migrant and seasonal farmworkers. In this one, we reviewed programs directed to alleviating hardships confronting farmworkers administered by the Departments of Agriculture, HEW, and Labor, and the Office of Economic Opportunity. We are making recommendations to the agencies involved which will improve the management of Federal programs for migrant and seasonal farmworkers. Too, we believe the report will be useful to the Congress in its consideration of several legislative proposals for improving the living conditions of these workers.

Health programs continue to grow with outlays reaching over \$22 billion in 1972. Much of our work in the health area is directed to the medicare and medicaid programs. In one report, for example, we made recommendations to significantly reduce delays in the cost settlement process between intermediaries and hospitals under the medicare program and made additional recommendations to reduce costs between \$100 million and \$200 million annually through the elimination of a questionable cost apportionment method. HEW has taken action on these recommendations.

In our work we frequently review areas in which Government-wide management economies are possible. For example, we are nearing

completion of a Government-wide survey of insurance procured directly or indirectly by the Federal agencies. The purpose of the survey is to identify those types of risks now covered by insurance which might appropriately be self-insured by the Government. Although the Federal Government has traditionally followed a policy of self-insuring most of its risks, it nevertheless continues to spend many millions of dollars each year for the purchase of insurance, largely indirectly through contracts, leases, and grants. We plan to review in greater depth those types of risks which our survey identifies as appropriate for self-insurance and which appear to have potential for substantial savings to the Government through self-insurance.

As you know, strong congressional and public interest continues in the consumer protection, safety, and law enforcement programs. Accordingly, we plan to increase our reviews of applicable programs administered by HEW, EPA, Labor, Interior, Transportation, Agriculture, and Justice. Programs involving the conservation of national resources and the supply of the nation's energy needs will also receive increased attention in view of the concern expressed in the Congress.

#### Defense Programs

Based on anticipated continued high level of expenditures for defense and the special interest of the Congress in major weapon acquisitions as well as in defense costs generally, we plan a small increase in our level of effort for GAO-initiated work in the defense area in 1973.

As you know, shortly after the first of each year, we furnish the Congress with an overview report that includes information on

progress being made by DOD to improve the overall acquisition process as well as our evaluation of the performance of critical management functions within that process. Together with this overview report, again this year we will issue about 70 individual weapon systems staff reports on the results of our specific studies of these systems. These will include detailed information on production and delivery, cost, and performance.

We are continuing such reports because, in our discussions with members and staffs of the several committees interested in major weapon system acquisitions, we learned that both our overall report and individual system reports have been very useful to them in considering DOD proposals and overseeing DOD's operations. In our studies of the major weapons acquisition process, we are giving special attention to cost-estimating practices, use of cost-effectiveness studies, and effectiveness of testing practices. We will also report on the corrective actions taken on major problems identified in the most critical weapon system programs.

As in previous years, a substantial portion of our audit and review effort will be devoted to defense procurement and supply management operations in view of the continued need for improvement in these areas.

Defense procurement in 1971 amounted to about \$33 billion. We shall continue to seek opportunities for substantial economies in defense procurement in line with the congressional interest in achieving this objective. We also plan to continue our review of DOD's procurement policies and methods; contract pricing; contract administration; and extent of duplication of procurement among the services for the same or similar items.

We have furnished the Procurement Commission a number of our staff members to assist it in its Government-wide study of procurement policies and priorities and are supporting the study within GAO. We expect that additional follow-through work will be required after the studies are completed.

The need to maintain a substantial effort in the supply management area is evidenced by the fact that:

- The inventory of about 4 million different items in the defense inventory is worth about \$47 billion.
- The management of the 4 million inventory items is conducted by 22 major inventory control points and 62 wholesale depots.
- Substantial amounts are spent to maintain and modernize equipment in use by the services valued at billions of dollars.

In the defense research and development area, for which the level of appropriations is over \$7 billion, we are assessing the management effectiveness of basic research and exploratory development programs conducted by Government laboratories, universities, and contractors and also the engineering development of weapon systems and other major items prior to production. We plan to continue our work in all these areas in view of the disclosure of major deficiencies in the past. We plan to concentrate more on the development stage in research programs and on DOD's research information dissemination methods.

In the defense manpower area, we will give priority to the acquisition and retention of military personnel; the assignment and utilization of military personnel; the administration and control over military and civilian pay and allowances; education and training programs;

readiness of selected military forces; military retirement systems; and drug treatment programs for military personnel.

In the defense facilities and support services area, we will be reviewing contracting and acquisition methods, management and utilization of existing facilities, personnel housing operations, and Government-owned industrial facilities. The principal support services we plan to review are communications, automatic data processing systems, medical care, fuel distribution, and subsistence.

Our Annual Report to the Congress describes the results of specific GAO reviews of defense activities during fiscal year 1971. Since July 1, 1971, we have issued reports to the Congress on such matters as:

- Phasedown of U.S. military activities in Vietnam.
- Pricing of noncompetitive contracts subject to the Truth-in-Negotiations Act.
- Assignment of crew members to ships under construction.
- Activities and status of civil defense in the U.S.
- Fees allowed nonsponsored not-for-profit organizations by Government agencies.
- Savings available in inventory accounting activities.

#### International Programs

In planning our reviews of international programs and operations, we are making special efforts to identify matters of concern to the Congress and its committees in such areas as:

- International programs relating to U.S. defense activities overseas, including military grant and sales assistance programs.
- International trade, including the unfavorable balance-of-payments situation.

- Effectiveness of objectives and programs related to the total economic, military, and humanitarian assistance provided selected countries.
- U.S. participation in international organizations and institutions.
- International activities of the Treasury Department.
- Activities of the State Department and other agencies involved in international operations, including Agriculture, Commerce, HEW, Interior, USIA, and the Export-Import Bank.

During the past several years, we have placed added emphasis on reviews of programs and activities related to expansion of our international trade. We recently completed a review, for example, of the Trade Opportunities Program of the Department of Commerce. In our report, we pointed out several ways in which we believe greater benefits could be derived from this program in terms of increasing U.S. exports.

#### Transportation and Traffic Management Programs

As we have gained experience and have assembled professional staffs trained in transportation and traffic management, we have improved the effectiveness of our work in this area and have increased our assistance to interested committees. Currently, we are completing reviews of:

- Worldwide transportation of ammunition.
- Transportation of petroleum fuels via pipeline to Air Force bases.
- Ways to improve the use of cargo space of ammunition ships, and
- Consideration given to transportation costs in selecting GSA depot service areas.

In our survey of the U.S. Postal Service transportation system, we identified many areas in which substantial savings could be achieved.

These are identified in Attachment A.

### Government-wide Automatic Data Processing Studies

We plan to continue to direct substantial effort to Government-wide reviews of automatic data processing activities. We have found it to be an area in which significant improvements and economies can be effected.

We recently issued a report to the Congress on ways ADP software acquisition and management can be strengthened in the executive agencies. We also issued a report to the Congress which, we believe, will promote a better foundation from which the auditing community in the Government agencies can build toward more effective and efficient audits of computer-based systems.

### Special Studies

We have found important benefits from the use of the skills of systems analysis, statistical sampling, and actuarial experts on our staff. In addition to the preparation of reports to the Congress on special studies, these staff members also serve as consultants and conduct training for members of the professional staff and conduct research to keep abreast of the state-of-the-art. This training spreads the use of advanced methods throughout the Office as soon as they are found to be useful in our work.

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In summarizing my comments on GAO-initiated work, I would again emphasize that the reports issued to the Congress on this work constitute one of the most important means of assisting the Congress in its legislative and oversight functions. The information contained in the reports is intended to give the Congress, as well as the agency heads, an appraisal

of Federal programs and operations. They, of course, also include recommended improvements, including recommendations for needed legislation.

As a by-product of these reviews, many significant financial benefits are achieved. For example, of the total of about \$268 million of GAO collections and other measurable savings in fiscal year 1971, about \$250 million was attributable to GAO-initiated reviews. In addition, many significant financial benefits to the Government resulting from our work are not fully or readily measurable in financial terms.

The third program category is:

EXAMINATION OF AGENCIES' FINANCIAL STATEMENTS,  
ACCOUNTING SYSTEMS, AND ACCOUNTABLE OFFICERS' ACCOUNTS

This work is required by various statutes and includes:

- . Centralized audit of transportation payments.
- . Annual audits required of Government corporations and other governmental activities.
- . Reviews of accounting systems in operation.
- . Centralized voucher audits at military finance centers, including account settlement.
- . Audit and settlement of accounts of accountable officers in civil departments and agencies, and
- . Audits of civilian pay and allowances.

To effectively carry out these activities in fiscal year 1973, we estimate we will need 965 average positions compared to 962 in 1972.

We are continuing to shift our emphasis within this program area. For example, we plan to reduce the staff resources applied to the centralized audit of transportation payments in light of expected decreases

in the volume of transportation bills applicable to shipments to Vietnam and Southeast Asia. On the other hand, we plan a small increase in our reviews of agency accounting systems in operation to insure that these systems meet the standards set by our Office.

The Transportation Act of 1940 requires the GAO to postaudit all billings for transportation under standard Government transportation forms. This activity, performed centrally in Washington by our Transportation Division, will require 581 man-years in 1973 compared to 590 man-years in 1972, a reduction of 9 man-years.

We are currently considering alternative approaches to transferring the responsibility for detailed audit of billings for transportation to the departments and agencies. This is an area in which a centralized audit of financial documents has been retained in GAO. Legislation may eventually be required to make this transfer of responsibility. However, we have considerable latitude under existing legislation to determine the extent of postaudit by GAO, providing agency systems contain adequate controls over the accuracy of the transportation payments.

Our approach to achieving the transfer objective is to pursue further the automation of our audit and to build on and make our audit systems compatible with agency management and fiscal systems. This will facilitate the transfer of the basic audit responsibility to the agencies. The transfer of the audit responsibility will not diminish our management and program reviews of transportation and traffic management operations. As part of these reviews, we would periodically evaluate the adequacy of the agencies' audit

systems for checking the accuracy of the payments for transportation billings. If, and when, our objectives are accomplished, it will reduce considerably our staffing needed for this function.

#### Audits of Government Corporations

The Government Corporation Control Act and other specific statutes require annual audits of financial statements in accordance with generally accepted auditing standards and procedures. Several new Government corporations and funds subject to GAO audit have been created in the last few years. Additional staff resources have been assigned to the annual examination of these activities as their operations are started as well as to existing ones that have expanded.

We are still trying to obtain legislation which would provide for this type of audit once every 3 years in lieu of an annual examination. We believe this approach would meet basic objectives for the Congress and provide us more flexibility in the use of our professional staff for performing higher priority work.

The fourth program category is:

#### LEGAL SERVICES AND DECISIONS

The legal work of the Office extends to virtually the full range of the Government's receipt and expenditure activity.

Many legal questions arise as a result of our audits and reviews of agency operations. Heads of departments and agencies as well as disbursing and certifying officers have a statutory right to submit for advance decision any question on the legality or propriety of proposed expenditures of Federal funds. Contracting and procurement

officers may also obtain decisions on questions arising in connection with proposed awards of Government contracts. Also, individuals and firms whose claims have been disallowed by actions of our Claims and Transportation Divisions and bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied may apply for decision. Under the law, decisions of the Comptroller General in these matters are final and conclusive upon the executive branch of the Government and payments made contrary to our decisions are subject to disallowance. Private concerns and individuals who may be adversely affected have further recourse to the courts in most cases.

The legal work includes the preparation of decisions concerning the legality and propriety of the receipt and expenditure of public funds; the preparation of advisory opinions and reports on proposed and pending legislation to members of Congress and congressional committees, and to the Office of Management and Budget; and the formulation and presentation of legislative recommendations to the Congress.

As you know, the Comptroller General has responsibility for determining the legality of expenditure of appropriated funds. This decision function, involving the interpretation and application of Federal statutes and regulations, has produced a large body of decisions over the years which serve as guidelines applicable to receipt and appropriated fund expenditure transactions of the Government.

Of the 235 man-years we estimate will be needed to carry out the legal activities of the Office in 1973, 195 will be in our General Counsel's office and 40 in our Transportation Division. Our attorneys

and Transportation Division personnel provide legal and technical assistance to the Department of Justice in the prosecution and defense of transportation suits by and against the United States as well as in cases before the Court of Claims.

Consideration of the factors affecting our work leads us to conclude that we will experience a continuing heavy workload. With respect to general Government matters, we have found that legislation and congressional considerations in the current climate of concern with the complex problems facing our Nation continue to generate an increasing number of matters being placed before the Office for legal resolution. The same is true with respect to Government procurement where we have found it necessary to initiate procedures under which our handling and disposition of bid protest cases may proceed more expeditiously in order to maximize the benefits deriving from the availability of the GAO as a forum in such instances. The speedier resolution of such cases called for under the new procedures will place additional demands on our legal staff.

The contract area continues to constitute the largest individual category of our legal decision work. Under the new legal concept established by the Scanwell case, Court of Appeals, D.C., February 13, 1970, giving aggrieved bidders for Federal contracts a right to seek judicial redress, a number of court actions have been brought in which we have participated. Two subsequent decisions of the local Court of Appeals on October 14, 1971, Wheelabrator and Steinthal, have placed increased emphasis on our role in such matters. These decisions and

the work of the Commission on Government Procurement (created by Public Law 91-129 with the Comptroller General as a statutory member) will significantly affect the Government procurement process and have already had an impact on the work of our Office. One of our lawyers is assigned full time and two are working part time for the Procurement Commission. In addition, the Office expects to devote considerable staff effort in the analysis of Procurement Commission studies.

As the range of our activities expands with respect to broader scaled reviews of Government programs, the internal demands upon the legal staff for assistance in connection with those reviews continue to grow.

We are asking for 7 additional staff positions over our 1972 level primarily to meet the increased workload of our legal staff due to the growing complexity of our audit work and to handle an increased volume of bid protests.

The fifth program category is:

FINANCIAL MANAGEMENT IMPROVEMENT

In recent years, we have devoted considerable effort in assisting the Federal agencies in their efforts to improve their accounting systems to the point where they can be approved by our Office, as required by the Accounting and Auditing Act of 1950. In 1966, about a third of the 150 systems of civil departments and agencies and only the Corps of Engineers (civil functions) in the Defense Department had been approved. By December 31, 1971, the number of system approvals in civil departments and agencies had increased to approximately 50 percent

even though the number of those subject to approval had increased to 160. In addition, for the Department of Defense, we have approved 27 statements of accounting principles and standards, as well as 3 systems designs and 3 segments.

We are continuing to assist agencies in developing effective systems for producing reliable financial and program information and to achieve the goal of having all systems approved as required by the 1950 Act. We estimate that we will require 133 man-years to carry out these activities in 1973, the same as for 1972.

The sixth program category is:

#### CLAIMS SETTLEMENT AND DEBT COLLECTION

The Budget and Accounting Act of 1921 places final responsibility for settling most claims for and against the Government in the General Accounting Office. The passage of the Federal Claims Collection Act of 1966 increased the authority of the departments and agencies to compromise and terminate debts of the United States when the debtor's financial condition indicates that collection of the full amount of the debt would be improbable. Yet, despite this broad grant of authority to administrative agencies, more and more debt claims are being referred to our Claims Division for further collection action.

We expect that this trend will continue with receipts remaining at a high level for an indefinite period. In order to alleviate this problem, we plan to pursue two avenues of action. First, to intensify our reviews of agency claims settlement and debt-collection

activities with the objective of improving agency operations; and, secondly, to streamline our organizational structure and our debt collection and claims settlement procedures to enable the processing of greater numbers of claims with fewer personnel. We plan to utilize 141 man-years in 1973 in our claims activities.

The seventh program category is:

EXECUTIVE DIRECTION AND MANAGEMENT SERVICES

This program category includes:

- . Direction and control of the operations of the General Accounting Office by the Office of the Comptroller General.
- . The functions of the Office of Policy and Program Planning involving policy formulation, long-range planning, budget formulation, internal review, and preparation of Office publications.
- . General administrative services, accounting, and records management.
- . Personnel management, recruiting, and training.
- . Computer services and system development.
- . Organization and management analysis studies and services.

These activities, which require 411 man-years in 1973 compared with 395 in 1972, are necessary for effective management and administration of the Office in support of the operating divisions.

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OFFICE OF FEDERAL ELECTIONS

I would like now to discuss our resource needs to carry out the activities assigned to GAO by the two election campaign acts.

The Federal Election Campaign Act becomes effective on April 7. It requires us to prescribe overall regulations for implementation of Title I covering charges for communications media, limitations on the use of communications media by candidates for Federal elective office, and related matters. In addition, Title III of the Act, covering disclosure of Federal campaign funds, requires GAO, with regard to presidential candidates, to:

1. Prescribe regulations, reporting forms, and an accounting manual for guidance of candidates and political committees in filing organization statements and in recording, accumulating, and reporting their contributions and expenditures applicable to general and primary elections.
2. Receive, file, code, cross index, make available to the public, and maintain for 10 years reports required to be filed under the Act.
3. Compile and furnish to the Public Printer an annual report on each political committee filing a report(s) each year.
4. Publish annually a report, including specified compilations of contribution and expenditure data based on the reports received, certain special reports from time to time, and assure wide dissemination of them. This will require the use of computers to process the large volume of data.
5. Make audits and investigations from time to time of reports and statements filed and on alleged failures to file.
6. Investigate complaints and other indications of problems and refer to Attorney General cases, as appropriate, for his action.
7. Encourage and cooperate with State election officials to develop uniform reporting procedures.
8. Serve as a national clearinghouse for information on the administration of elections, including the award of contracts for special studies.

The Secretary of the Senate and Clerk of the House have similar responsibilities for senators and representatives, respectively.

To carry out these functions, we are establishing an Office of Federal Elections which will ultimately be staffed with about 35 people. As I mentioned earlier, we are using our 1972 savings of about \$1,040,000 to meet the costs of establishing and operating the Office this year. We estimate that we will need \$1,600,000 for the operation of this Office for fiscal year 1973.

The Presidential Campaign Fund Act requires GAO to certify payments to the candidates from the fund established by the Act. After each presidential election, we are required to audit candidates' reports of campaign expenses, to submit a report to the Congress, and to seek recovery of repayments required because of determinations that candidates received payments to which they were not entitled.

We believe we will be able to expand the Office of Federal Elections to assume our responsibilities under the Presidential Campaign Fund Act which was enacted last year but will not become effective until 1973.

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Mr. Chairman, I have covered briefly the highlights of GAO programs and operations and our overall staff needs to support them. We are continually reviewing and analyzing our operations to seek ways to improve effectiveness and productivity in GAO. However, in light of the increasing workload emanating primarily from legislation, growth in numbers and size of requests from committees and members, and the

creation and expansion of Federal programs, we believe our 1973 budget estimate of \$97 million is a realistic one.

This concludes my statement. My associates and I will be happy to answer any questions you may have.

ADDITIONAL MATERIAL FOR THE RECORD  
IN SUPPORT OF  
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 1973

EXAMPLES OF SIGNIFICANT LEGISLATIVE ACTIONS  
SINCE JANUARY 1, 1971,  
THAT HAVE ADDED TO GAO WORKLOAD

1. The Emergency Loan Guarantee Act, Public Law 92-70, requires GAO to make a detailed audit of all accounts, books, records, and transactions of any borrower with respect to which an application for a loan guarantee is made under the Act. GAO is required to perform audits and report on the results to the Emergency Loan Guarantee Board and to the Congress until the loan is liquidated. The law, in effect, requires GAO to make a continuous examination of the borrower's ability to liquidate the loan within the period prescribed by law.

As of December 31, 1971, Lockheed Aircraft Corporation had borrowed \$75 million of an authorized total of \$250 million under the Emergency Loan Guarantee Act. We have been auditing Lockheed in connection with this loan since last fall. Also, with regard to Lockheed and the C-5A program, Public Laws 91-441 and 92-156 require GAO to audit and report to the Congress quarterly on payments made for the C-5A aircraft program for which \$200,000,000 was appropriated for 1971 and \$325,100,000 for 1972. This work is requiring substantial professional staff resources to accomplish in an effective and timely manner.

2. Under the provisions of the Presidential Election Campaign Fund Act, the Comptroller General is required to certify payments to which candidates for President and Vice President are entitled from a "Presidential Election Campaign Fund" established by the Act. These certifications are to be based upon information provided by eligible candidates in accordance with rules and regulations prescribed by the Comptroller General.

After each presidential election, the Comptroller General is required to conduct a thorough examination and audit of the qualified campaign expenses of the candidates of each political party for President and Vice President. As soon as practicable after each presidential election, a report is required to be submitted to the Congress disclosing the qualified campaign expenses incurred, amounts certified for payment, and the amount of, and reason for, any repayments required from candidates as a result of the Comptroller General's examination and audit of expenses.

The Comptroller General is authorized to participate in judicial proceedings, including appearance in district courts, to seek recovery of repayments required because of determinations that candidates received payments to which they were not entitled. The Comptroller General is also required to publish in the Federal Register information reported to him by the candidates regarding incurred and proposed expenses. These publications are to occur during each of the 4 weeks preceding the day of election.

3. A "Federal Election Campaign Act" to promote fair practices in the conduct of election campaigns for Federal political offices was signed by the President on February 7, 1972. The Act requires the Comptroller General to prescribe regulations required under Title I, Campaign Communications Reform Act, regarding definitions, media rate, and limitations on expenditures for use of communications media. In addition, the Act requires the Comptroller General to:

- a. Prescribe rules and regulations for candidates and political committees regarding contributions and expenditures and how committees shall be organized, keep their accounts, and file organization statements and financial reports.
- b. Develop and prescribe forms for candidates and political committees and a manual to show recommended uniform methods of bookkeeping and accounting.
- c. Receive, file, code, cross index, make available to the public, and maintain for 10 years reports required to be filed under the Act.
- d. Compile and furnish to the Public Printer an annual report on each political committee filing a report(s) each year.
- e. Publish annually a report, including specified compilations based on the reports received, certain special reports from time to time, and assure wide dissemination of them.
- f. Make audits and investigations from time to time of reports and statements filed and on alleged failures to file.
- g. Investigate complaints and other indications of problems and refer to Attorney General cases, as appropriate, for his action.
- h. Encourage and cooperate with State election officials to develop uniform reporting procedures.
- i. Serve as a national clearinghouse for information on the administration of elections.

With regard to the above, the Comptroller General has these responsibilities for the presidential candidates. The Secretary of the Senate and the Clerk of the House have similar responsibilities for senators and representatives, respectively.

4. Section 204 of the Comprehensive Health Manpower Training Act of 1971 requires the GAO to conduct a major study of health facilities

construction costs. In performing the study, GAO is required to consider the feasibility of reducing the cost of health facilities constructed with assistance provided under the Public Health Service Act, particularly with respect to innovative techniques, new materials, and the possible waiver of Federal standards which may be unnecessarily costly. We estimate this work will take about 30 man-years of effort. During the study, we will review matters, such as the following, to identify potential ways in which health facility construction costs can be significantly reduced:

- the evolving trends in hospital designs and use of new construction techniques
- the extent of use of new materials and innovative engineering ideas
- hospital patient care delivery systems concepts used as objectives in construction design to provide efficient and economical medical care
- methods of contracting and subcontracting
- financing techniques of various Federal programs
- effects of hospitalization insurance company restrictions and prohibitions that may result in increased cost of constructing health facilities
- effects of Federal and State standards on health facility construction costs
- impact of construction costs under concepts of regionalization of health facilities

The results of this comprehensive study should be of aid to the Congress in formulating basic policies with regard to health facility construction.

5. In House Conference Report 92-664, dated November 10, 1971, on military construction appropriations for fiscal year 1972, it was recommended that the GAO conduct "a complete and unbiased investigation of the efficiency of construction management and the equitableness of charges by construction agencies for construction supervision, inspection, and overhead." As part of the study, GAO is directed to investigate the rates charged for similar work in private industry and to compare them with those charged by the DOD construction agencies. We are required to submit a report to the conferees within 10 months of the date of the report, with an interim report to be provided within 6 months.

6. The House Committee on Appropriations Report 92-666, dated November 11, 1971, requested the Army to provide the GAO an

opportunity to review the specifications and the engineering study for the Army's Tactical Operations System--an automatic data processing system for providing military commanders strategic operations information which is estimated to cost about \$192 million.

DIRECT ASSISTANCE TO CONGRESS  
EXAMPLES OF REQUESTS FOR WORK  
RECEIVED FROM COMMITTEES AND INDIVIDUAL MEMBERS

Domestic Civil Activities

1. The Chairman, Subcommittee on Science, Research, and Development, House Committee on Science and Astronautics, on September 8, 1971, requested that we examine Federal support of problem-oriented research with special attention to the National Science Foundation's "Research Applied to National Needs" (RANN) program. This work is in support of the Subcommittee's broad-based study of certain policy issues concerning Federal support of problem-oriented research. It requires GAO to examine into Federally-supported problem-oriented research activities in many Federal agencies, academic institutions, non-profit institutions, industrial firms, and State and local governments. We believe that the results of our study will support the Subcommittee and others in their consideration of appropriation requests and legislation involving Federal support of research programs.

2. At the request of the Chairman, Subcommittee on Executive Reorganization and Government Research, Senate Committee on Government Operations, we are reviewing the adequacy of the regulatory functions of the Division of Biologics Standards of the National Institutes of Health. In this review, we are examining into the Division's regulatory actions in relation to selected vaccines.

3. In May 1971, the Chairman, Subcommittee on Fisheries and Wildlife Conservation, requested us to review the manner in which Section 102 of the National Environmental Policy Act is being implemented, especially with regard to whether environmental impact statements are being prepared, as required, and the extent to which these statements are being used in decisionmaking. This work, which will require GAO staffs to perform work at about 30 Federal, State, and local agency offices around the country, will entail a total of about 15 man-years of effort. The major Federal agencies involved are the Departments of Agriculture, HUD, Interior, Transportation; the Corps of Engineers; and the Council on Environmental Quality and Office of Management and Budget.

4. We expect to do additional work in support of the study being made by the Senate Committee on Interior and Insular Affairs of the national fuels and energy policy under Senate Resolution 45.

Military Activities

1. In July 1971, we sent to the Chairman, House Committee on Appropriations, a report on the requested comprehensive review of the

Civilian Health and Medical Program of the Uniformed Services which identified specific potential areas for improvement. The review included such aspects of the program as (1) hospital charges and administrative costs of hospital care, (2) costs of physician and psychiatric care, (3) benefits provided handicapped persons, and (4) eligibility of participants in the program.

2. The Chairman, House Committee on Appropriations, in September 1969, made a continuing request for reviews of the development, installation, and operation of automatic data processing systems in the Department of Defense. We have done a great deal of work in this area to date. Most recently, in September 1971, we issued a report on our review of the Navy's Integrated Command/Management Information System and furnished the Committee a copy of our report to the Secretary of Defense on the Army's Base Operating Information System (BASOP). These reports were in addition to nine reports issued through June 30, 1971--six on tactical systems, two on logistics systems, and one on an administrative system. We currently have six systems under review--four tactical and two logistics systems.

3. At the request of the Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services, we evaluated the data and the methodology on which the Department of Defense based its conclusion that the Soviet Union expenditures for military research and development were about \$10 billion annually compared with United States expenditures of about \$7 billion. We furnished the report on the evaluation to the Committee in July 1971.

4. At the request of the Chairman, Subcommittee on Alcoholism and Narcotics, Senate Committee on Labor and Public Welfare, we made a review of alcoholism among military personnel. A report on the review was issued to the Subcommittee in November 1971. We had previously made a similar study, at the request of the Subcommittee, with regard to Federal civilian employees. Legislation was passed which provided for rehabilitation programs for civilian and military personnel.

5. At the request of the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, we are completing an extensive study of cost control and procurement problems at major private shipyards. The Chairman furnished us a long list of questions he desired information on covering such matters as the shipbuilding market, procurement and cost controls at the Navy's shipyards, progress payments, Government surveillance of shipbuilders, and scope of problems identified.

6. At the request of the Chairman, Senate Committee on Armed Services, we are performing a review and analysis of costs on the Navy F-14 fighter aircraft program. We have done extensive work on this program in the past and expect that our work on this and other weapon systems will continue for some time.

7. In addition to the audit work we are doing on the Lockheed loan required by Public Law 92-70, the House Report on the Department of Defense Appropriation Bill, 1972, suggested that GAO investigate the cause and impact of the defects in the C-5A aircraft and the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, has requested us to verify testimony concerning unsatisfactory management practices at the Lockheed-Georgia Company.

### International Activities

1. In November 1971, in response to his request for assistance, we sent to the Chairman, Senate Committee on Foreign Relations, a report on our analysis of the administration's proposed reorganization of the foreign aid and foreign military sales programs. This report identifies areas in which the reorganization proposals may fall short of, or do not expressly address, findings and recommendations resulting from GAO reviews; points up issues arising from the proposed legislative changes; brings up matters for consideration of the Foreign Relations Committee and the Congress; and suggests legislative language to remedy, or give legislative emphasis to, a number of matters discussed in the report. Since we believed the report was of interest to other committees and members of the Congress, we recommended to the Chairman that he approve its general release. The Chairman did so in December 1971.

2. We were requested by the Chairman, Senate Committee on Foreign Relations, to make a review of the use of excess defense articles in the military assistance program. The Chairman's initial request contained a list of specific areas for study which included procedures used in declaring property as excess, the scope of excess programs, present and alternative uses in the future, the decisionmaking process in providing excess material to foreign recipients, Vietnam surpluses, policy review in the Departments of State and Defense, and the history of the 1969 decision to provide excess fighter aircraft to Taiwan.

In subsequent discussions with the Committee staff, the scope of the review was expanded to include an identification of the various sources of military assistance to foreign countries outside of that authorized and funded in the usual foreign assistance programs. Additional areas specified included loans of ships and other defense articles, captured enemy equipment, and the turnover of equipment by withdrawing U.S. forces.

The Committee's interest in these matters was worldwide with concentration on programs in Turkey, Greece, Taiwan, Korea, Indonesia, Cambodia, and Vietnam. In addition to audit work performed in those countries, it was also necessary to review surplus property disposal activities in Okinawa, policies in the unified commands in Hawaii and Germany, and related activities of military commands located in the United States. Audit work was also required in Washington at the Departments of Defense and State and at various staff elements of the Departments of the Army, Air Force and Navy, and the General Services Administration.

This audit work employed the staff of GAO from the Far East and European Branch offices and the suboffices in Manila and Saigon. Their work was supplemented by auditors from the Detroit, Chicago, Kansas City, and Cincinnati Regional Offices and the Washington staff of the International Division.

3. In July 1971, the Chairman, Subcommittee to Investigate Problems Connected with Refugees and Escapees, Senate Committee on the Judiciary, requested the General Accounting Office to inquire into matters regarding refugees and war victims in Cambodia, Laos, and Vietnam. Also in connection with his activities as Chairman of the Subcommittee, Senator Kennedy requested GAO to inquire into U.S. military aid to Pakistan and requested that separate inquiries be made into disaster relief aid to Pakistan following the cyclone in the fall of 1970 and into humanitarian aid to civil strife victims in Pakistan and Pakistani refugees in India. Our inquiries required work at each of the five countries, including East and West Pakistan as well as at the U.S. United Nations Mission in Geneva and at the Departments of State, Defense, and Agriculture and the Agency for International Development. On the basis of our inquiries, we are developing nine reports.

#### Transportation and Traffic Management Activities

1. In January 1972, we sent to the Chairman, Subcommittee on Manpower and Civil Service, House Committee on Post Office and Civil Service, a report pursuant to the Subcommittee request on the cost of using civil service versus contractor labor for loading containers at the military ocean terminal, Bayonne, New Jersey. In addition to cost data, we furnished the Subcommittee information of interest on the container loading activities.

2. At the request of seven members of Congress, we made an evaluation of DOD's test of the use of Great Lake ports for shipping military cargo between the continental United States and Europe. In our September 1971 report, we identified various inaccuracies in the cost data used by DOD in analyzing the test. We described the areas in which improved management could have significantly changed the test results and reported that, based on our review, the DOD test was inconclusive and should not be used to determine the relative economies of using Great Lake ports as opposed to tidewater ports.

#### Financial Management and Special Studies

1. At the suggestion of Senator William Proxmire, our financial management staff is engaged, jointly with the Office of Management and Budget and the Civil Service Commission, in a comprehensive evaluation of the possibilities of measuring productivity in the Federal sector of the economy. The results of the first phase of

this evaluation showed that over 50 percent of Federal civilian employees are covered by various types of performance measurement systems. Such systems are used at operational levels by most agencies, but there was a lack of use of these measures by top agency officials. The joint study is continuing to test the feasibility of developing a set of productivity indices of the Federal sector.

2. At the request of the Joint Economic Committee, our automatic data processing staff is reviewing the utilization and total annual cost of automatic data processing equipment and practices regarding Government-owned and leased equipment used by contractors.

3. Our actuarial staff is assisting the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations in the analysis of a private severance benefit plan. The staff is specifically looking into the financial instruments used to purchase the plan, the benefit structure of the plan, the funding method of the plan, and the financial structure of the plan.

4. At the request of the Subcommittee on Census and Statistics, House Committee on Post Office and Civil Service, our systems analysis staff assisted in evaluating alternatives for a mid-decade census. Systems analysis assistance dealt primarily with determination of the type of mid-decade census or special survey that would best fill the need, taking into consideration the cost of alternatives. The results will be incorporated in an early report to the Subcommittee.

5. At the request of the Chairman of the Joint Economic Committee, we reviewed the system of reporting to the Federal Reserve Bank of New York by dealers in Government securities to determine whether (1) good accounting practices were being followed in preparing the reports and (2) the reporting system afforded the Committee and the public with adequate disclosure of the operations and profits of the dealers as a group.

6. An example of direct assistance to Congress prompted by legislation is our work pursuant to Sections 201 and 202 of the Legislative Reorganization Act of 1970. These sections hold GAO responsible for ensuring that the interests of the Congress will be appropriately served in the development of a standard budgetary system, fiscal information system, related data processing system, and standard classifications.

As an initial step in carrying out this responsibility, we have undertaken a survey project to define congressional needs. On August 31, 1971, we wrote to all committee chairmen and on October 1, 1971, to all individual members of Congress requesting interviews with them or with their staffs to elicit as much information as possible concerning their needs for budgetary and fiscal data. These

interviews provide the basis for our initial recommendations to the Treasury and the Office of Management and Budget on the congressional needs, as well as the basis for our review and comment on the classifications and systems proposed by the executive branch.

We plan to report to the Congress on our initial survey work. Thereafter, we will continue to work with the individual committees and the Office of Management and Budget and the Treasury to ensure that the identified congressional needs are provided for in the information and data processing system.

We expect that we will be receiving an increasing number of requests for financial management and special studies in the future in view of the needs of the Congress, its committees, and members for comprehensive and useful financial information on Federal programs and operations.

#### EXAMPLES OF REVIEWS OF MANAGEMENT EFFICIENCY AND PROGRAM RESULTS

##### Domestic Civil Activities

1. We reviewed problems in accomplishing objectives of the work incentive program (WIN) in the Departments of Labor and Health, Education, and Welfare. The WIN program was designed to provide recipients of welfare under the Aid to Families with Dependent Children (AFDC) program with training and services necessary to move them from welfare dependency to employment at a living wage. We reviewed this program on our own initiative because of the widespread concern over the AFDC welfare work that, before our review, had soared to 2.2 million adults who were receiving over \$391 million a month.

We found that WIN has achieved some success in training and placing AFDC program recipients in jobs, thereby resulting in savings in welfare payments in some cases. The complete results of the program could not be determined readily, however, because of significant shortcomings in its management information system. We also found that, in part, because of its limited size in relation to the soaring AFDC rolls, WIN did not appear to have had any significant impact on reducing welfare payments. WIN is not basically a job-creation program and, during a period of high unemployment, encounters great difficulty in providing permanent employment for the enrollees.

Consequently, we reported that, in our view, the WIN and AFDC program designs need to be changed if the overall objective of encouraging AFDC family heads to seek employment is to be realized. Since the designs of WIN and the AFDC program cannot be dealt with effectively by administrative action alone, we recommended to the Congress specific changes in legislation that would correct the deficiencies in the program designs disclosed by our review.

The Federal Government and the State of California recently enacted legislation affecting the WIN program. We will continue to monitor the program and will make further reviews after the legislation has been implemented.

(Problems in Accomplishing Objectives of the Work Incentive Program (WIN) in the Departments of Labor and Health, Education, and Welfare, B-164031(3), dated September 24, 1971)

2. We reviewed the impact of Federal programs to improve the living conditions of migrant and seasonal farm workers. In this review, we examined into programs directed to alleviating hardships confronting farm workers. Such programs are administered by the Departments of Agriculture, HEW, and Labor, and the Office of Economic Opportunity. We found that the Federal Government's programs have not significantly improved the working and living conditions of migrant and seasonal farm workers in the six counties where we conducted our review. The programs have provided some needed services to participating farm workers and their families. We are making recommendations to the agencies involved which will improve the management of Federal programs applicable to migrant and seasonal farm workers. We believe the report will be useful to the Congress in its consideration of several legislative proposals for improving the living conditions of such workers. A report on this review is being prepared.

3. In a review of lengthy delays in settling the costs of health services furnished under medicare, we found there were delays in every step of the settlement process, from the preparation of cost reports by hospitals, through the audit of cost reports by intermediaries, to the final settlement or agreement with hospitals concerning their actual and reasonable medicare costs to be reimbursed under the program.

Some intermediaries delayed making final settlement with hospitals because of a method (called combination method) of apportioning hospital costs between medicare and non-medicare patients. This method, authorized by HEW, resulted in medicare payments that included certain private room costs which were not covered under the program and certain delivery room costs which were not applicable to medicare patients. On the basis of our analysis of a sample of cost reports for hospitals in 32 states and Puerto Rico, we estimated that the elimination of this questionable apportionment method would reduce medicare payments to hospitals by between \$100 million and \$200 million annually.

We made a number of recommendations designed to alleviate the unsatisfactory conditions revealed during our review. HEW agreed with most of our recommendations. Of particular significance, however, is HEW's decision to discontinue the use of the combination method of apportioning hospital costs to the medicare program for larger institutions. HEW estimates that this action will reduce medicare

costs by \$100 million in fiscal year 1972. The Congress is considering various legislative proposals for improving the medicare and medicaid programs. The report has been useful to it in this regard.

(Lengthy Delays in Settling the Costs of Health Services Furnished under Medicare, B-164031(4), dated June 23, 1971)

### Military Activities

1. In a follow-up review of actions in connection with the phasedown of military activities in Vietnam, we found that considerable progress had been made to ensure an orderly phasedown and effective redistribution of equipment and materiel and to cope with problems identified in GAO's earlier report. We noted, however, that further improvements could be made in adjusting stock levels in response to decreasing requirements and brought problem areas to the attention of management for correction. As a result (1) the Army and Marines canceled a greater number of requisitions of departing units and thus further reduced the quantities of unneeded materiel being shipped to Vietnam and (2) the Army is blocking more effectively the processing of requisitions of units scheduled for phaseout.

All the problem areas presented in GAO's report were brought to the attention of DOD management and, in each instance, prompt corrective action was taken or promised.

(Second Review of Phasedown of U.S. Military Activities in Vietnam, B-171579, dated August 9, 1971)

2. In October 1971, we summarized for the Congress 23 reports that GAO had issued to agency officials and to contractors during fiscal year 1971 on the pricing of selected noncompetitive contracts totaling \$217 million. These contracts had been negotiated with 19 contractors by 13 procurement activities of the Department of Defense.

The negotiated prices for 28 of the 33 contracts were about \$8.7 million higher than indicated by cost or pricing data available to the contractors at the time of negotiations. No overestimated costs were found for the five other contracts examined. Factors contributing to the overpricing included (1) failure of contractors to submit to the Government significant cost data which became available after they had submitted their proposals, (2) failure of contracting officers to obtain all significant data or to have these data reviewed by Government auditors, and (3) inadequacies in the Government's audits and technical evaluations of contractors' proposals.

Our findings indicated a need for continued attention by DOD to the performance of its personnel involved in the pricing function and for agency officials to determine the extent to which the Government is legally entitled to price adjustments under the terms of the contracts.

Agency officials have indicated to us that appropriate action will be taken.

(Pricing of Noncompetitive Contracts Subject to the Truth-in-Negotiations Act, B-39995, dated October 14, 1971)

3. In a review of crew assignments for five U.S. Navy ships under construction, we found that:

- The number of personnel assigned was based on personal judgment and precedent rather than on actual need.
- Crew members were sent to construction sites before they were needed and were assigned to perform tasks that already were the responsibility of other Navy organizations.
- The Navy had not evaluated work requirements to determine the type of personnel that should be included in a nucleus crew.
- The system for obtaining information on the use of nucleus crews was inadequate.

We recommended that the Secretary of the Navy

- Determine the essential functions that nucleus crews should perform.
- Evaluate the composition and duration of manpower needed to perform the functions.
- Assign to nucleus crews only the rates and ratings for the man-months needed.
- Establish procedures which will provide for a continual evaluation of nucleus crew needs, including the requirement that prospective commanding officers recommend needed changes to nucleus crew authorizations in their monthly ships' progress reports.
- Monitor the actions taken by the Navy to make certain that valuable manpower resources are used effectively.

The Navy concurred with these recommendations and initiated actions to implement them.

(Too Many Crew Members Assigned Too Soon to Ships under Construction, B-172632, dated August 9, 1971)

4. In a recent review, we found that the Office of Civil Defense has not used information regarding likely targets of an enemy (targeting assumptions) in setting priorities for developing fallout shelters. It has followed a policy which generally treats every place as being equally vulnerable.

The Office of Civil Defense lacks the authority and funds to finance or subsidize the construction of shelter spaces. The Office can only identify, license, mark, and stock available spaces. The Office has established a minimum level of protection which must be met if the shelter is to be licensed, marked, and stocked by the Office. Where shelters of this level are not available, however, many lives could be saved and injuries could be reduced by use of the best protection available even though it is below the standard. The Community Shelter Planning Program encourages the use of protected space under the minimum standards, but these shelters normally are not licensed, marked, or stocked by the Office of Civil Defense.

We recommended that:

- The Secretary of Defense set priorities in developing additional fallout shelter protection on the basis of targeting assumptions and the best available predictions of risk to help ensure that the limited financial resources are applied to areas most likely to need additional protection.
- The Office of Civil Defense stock the best available shelters regardless of protection rating, pending an overall assessment of area priorities, in undertaking protective measures.
- The Secretary of Defense (1) provide additional justification to the Congress concerning the part which civil defense plays in the overall national security posture and (2) give consideration to whether higher priority should be given to marking and stocking good shelter spaces already identified in view of the relatively low per capita cost of the protection which these shelters provide.

In view of (1) the imbalance of fallout protection, (2) the potential for expanding the protection by using best available space, and (3) the limited progress of the civil defense program in meeting its objectives and in view of two special studies recently made by the administration pertaining to civil defense, GAO suggested that appropriate committees of the Congress may wish to review the reports on these studies for use in any consideration of civil defense requirements.

(Activities and Status of Civil Defense in the U.S., B-133209, dated October 26, 1971)

5. We reviewed certain of the larger nonsponsored not-for-profit research institutions in our evaluation of Federal agencies' policies and practices in allowing fees. We found that, in many instances, such organizations which pay no Federal income taxes on fees earned on Government work were allowed approximately the same rate of fee on estimated costs that commercial profit-making organizations receive for doing similar work. We reported this matter to the Congress in view of the need for a Government-wide policy governing the negotiation of fees for not-for-profit organizations which recognizes the posture of each type of organization.

(Fees Allowed Non-Sponsored Not-for-Profit Organizations by Various Government Agencies, B-146810, dated November 26, 1971)

6. In a review at the Army's Aberdeen Proving Ground, we found that both an industrial fund accounting system and a stock fund accounting system were being maintained with the result that there was a duplication of certain accounting functions and records. We concluded that the industrial fund could be used as the principal accounting means to finance and account for inventories being controlled by the stock fund and to process related transactions. Elimination of the stock fund accounting system would simplify accounting procedures and result in:

- Annual savings of almost \$100,000 in personnel costs.
- A reduction of about 45 hours a month in computer processing time.
- A potential reduction in keypunch and verification effort.

Aberdeen officials concurred with GAO's conclusions and stated that the changeover would not involve any significant costs or problems. We recommended that the Secretary of Defense direct the Secretary of the Army to eliminate the stock fund accounting system at Aberdeen and to place the inventories owned by the stock fund under the control of the industrial fund.

Because the industrial fund/stock fund arrangement at Aberdeen was typical of installation organization at many military installations, we recommended further that the Secretary of Defense determine the installations at which it is practicable for industrial funds to finance and control inventories and take action to eliminate unneeded stock fund accounting systems.

(Savings Available by Transferring Army Inventory Accounting from Stock Funds to Industrial Funds at Installation Level, B-159797, dated July 30, 1971)

## International Activities

1. We reviewed the Trade Opportunities Program of the Department of Commerce to determine whether overseas business opportunities were being identified and communicated effectively to U.S. businesses. We found that, while the program has had some success in bringing U.S. exporters and overseas importers together, management actions by Commerce and State are needed to improve the program level of implementation overseas, in Washington, and in the U.S. field offices. We recommended that the Secretaries of Commerce and State jointly determine the relative importance of the program within the framework of current commercial activities and examine the features of the trade opportunities programs of New York State and the United Kingdom with a view to adopting practices which offer potential for improving the U.S. program. We also recommended that the Departments consider:

- centralizing management authority in a single business-oriented administrator
- pursuing program objectives aggressively at overseas posts to identify, accumulate, and transmit trade opportunities
- strengthening Washington procedures for reviewing trade leads
- improving field office support in bringing leads to the attention of businesses
- expediting transmission of information obtained overseas to Washington and to potential suppliers
- examining the feasibility of an automated system
- studying the desirability of charging a fee for the service

(Ways to Increase U.S. Exports under the Trade Opportunities Program, B-135239, dated January 28, 1972)

2. We made a country-wide review of U.S. participation in foreign aid to Indonesia. We found that:

- The United States had increased its percentage share of multidonor assistance costs significantly above that anticipated (one-third of the total bilateral requirements) when the consortium of donors was formed in 1967.
- Whereas other assistance donors were financing commodities which contributed to their long-range trade potential, a major share of U.S. assistance consisted of those types of assistance, such as readily consumable goods, which were much less attractive in terms of long-range trade advantages.

--U.S. products were noncompetitive in comparison with those of other donors. This was illustrated by the fact that, even though the terms of U.S. assistance loans were more liberal than those of other major donor countries, usage of the U.S. loans was slow.

We reported:

--That, in view of the changing complexion in comparative economic strengths of other donors and potential donors, the economic benefits to be gained by the United States in relation to those to be gained by other nations seem to warrant increased attention in the formulation of U.S. assistance policy.

--That U.S. assistance dollars will, in effect, contribute to the repayment of Indonesia's debts to Communist countries is another matter bearing on U.S. foreign assistance policy which the Congress may wish to review with the Department of State and AID.

(U.S. Participation in Foreign Aid to Indonesia, B-172450, dated September 7, 1971)

#### Transportation and Traffic Management Activities

1. In a survey of the U.S. Postal Service transportation system, we identified many areas in which substantial savings could be achieved. These areas include:

- Using box delivery star route service in lieu of standard rural route delivery
- Combining the weights of first-class and airmail shipments and taking advantage of general commodity air freight rates
- Presorting first-class mail by large volume mailers
- Using freight train service for the transportation of bulk mail
- Consolidating nonpreferential mail with preferential mail moving in passenger train service, and
- Using contract service for the transportation of mail to and from airports

The Postal Service has indicated that these and other areas would be studied and appropriate action taken. Although corrective action on many of our proposals would have previously required congressional approval, corrective action can now be taken by the Postmaster General under authority granted by the Postal Reorganization Act. We expect to issue our report early in 1972.

## Financial Management and Special Studies

1. We reviewed the acquisition and use of software products for automatic data processing systems in the Federal Government. In our report, we described and analyzed numerous management problems pertaining to the substantial annual expenditures of the Government for computer software products and made recommendations to executive branch agencies for strengthening management practices.

(Acquisition and Use of Software Products for Automatic Data Processing Systems in the Federal Government, B-115369, dated June 30, 1971)

2. We performed case studies of auditing in a computer-based systems environment and issued a report which discussed the need for internal auditing of computer-based systems, the need for more complete systems documentation, and the use of computer techniques to audit computer-based systems. It should assist in providing a foundation from which the auditing community in the Government agencies can build toward more effective and efficient audits of computer-based systems.

(Case Studies of Auditing in a Computer-Based Systems Environment, B-115369, dated June 1971)

3. We reviewed pollution control projects along the Missouri River and concluded that water pollution control programs along that river would be more effective if available Federal funds were used to construct or improve primary treatment plants and sewer systems to prevent raw sewage from entering the river, rather than to provide secondary treatment at this time.

We recommended that the Administrator of EPA reconsider the timing of the requirement for secondary treatment of municipal wastes along the Missouri River and that such reconsideration be made in the light of conditions existing along the river and the nature of the sources of its pollution. Further, the Administrator should evaluate whether greater public benefits are attainable sooner from expenditures for pollution abatement projects other than secondary treatment plant construction.

Our report pointed out to the Congress that, if pending legislation (S. 2770) were to become law, substantially greater appropriations would be authorized and it would be possible to achieve higher levels of treatment sooner than under present legislation.

(Alternatives to Secondary Sewage Treatment Offer Greater Improvements in Missouri River Water Quality, Environmental Protection Agency, B-125042, dated January 6, 1972)