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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
LEGISLATIVE SUBCOMMITTEE, APPROPRIATIONS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1971
FOR THE COST-ACCOUNTING STANDARDS BOARD

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appear before you today to discuss the budget estimates for the establishment and continuing expenses through June 30, 1971, of the Cost-Accounting Standards Board authorized by Public Law 91-379, approved on August 15 of this year.

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In the way of background, the Congress, in extending the Defense Production Act of 1950, included a new section this year--creating a Cost-Accounting Standards Board, as an agent of the Congress, composed of the Comptroller General of the United States and four other members appointed by the Comptroller General. The principal function of the Board is to develop and promulgate cost-accounting standards designed to achieve greater uniformity and consistency in the cost-accounting practices followed by defense contractors and subcontractors under negotiated defense procurements in excess of \$100,000. A large and growing proportion of defense procurements is of the negotiated type, reaching 89 percent in Fiscal Year 1969.

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Let me emphasize at the outset that the budget estimate we are presenting is for the purpose of starting operations of the Cost-Accounting Standards Board. While I have solicited nominations for members of the Board from various sources, the Board is not yet functioning and funds will need to be provided to commence operations.

Although the Board will have to approve the form and structure of its organization, define its administrative and technical functions, and approve its methods of operations and the scope of work to be performed in the development of cost-accounting standards, it appears that the Board's staff will have to be concerned heavily in researching existing cost-accounting principles and practices, reviewing and analyzing such information from a technical standpoint, and testing possible cost-accounting standards in operation.

We have estimated the first full year of operation of the Board at \$1,500,000. However, since part of the year has now elapsed, the first full year estimate has been reduced by \$400,000 to \$1,100,000.

On the basis of our estimates, the \$1,100,000 will be used as follows:

- \$376,750 for salaries and related benefits of the Board, professional staff (including an Executive Secretary) and supportive clerical staff.
- 272,000 for travel of Board, its staff and task force teams comprised of representatives of Government, accounting profession and industry.
- 130,000 for equipment, furniture and fixtures and rental of office space.
- 140,000 for expenses of partitioning and making ready office space.
- 181,250 for contract services, reimbursements for computer services, administrative and personnel services, and reimbursements to other Government agencies.

Our estimate was prepared on the basis that the Board would be devoting a substantial amount of its time to achieving the formulation of cost-accounting standards for defense procurements. It is my intention to obtain Board members who are well-recognized and highly-qualified in the technical aspects of cost accounting and who can devote a substantial amount of time studying, evaluating, revising, and finalizing proposed cost-accounting standards so that authoritative cost-accounting standards could be promulgated as early as practicable. The Board, of course, would meet rather frequently during its early existence to consider organizational and technical plans and to formulate administrative policy, and meet less frequently thereafter to consider proposed actions relating to cost-accounting standards.

The enabling legislation provides that each Board member appointed from private life will receive compensation at a rate of one two-hundred-sixtieth of the rate prescribed for level IV (\$38,000 per annum) of the Federal Executive Salary Schedule for each day in which he is engaged in the actual performance of duties vested in the Board. The enabling legislation also provides that the Comptroller General (who serves as Chairman) and one member to be named from Government would continue to receive the compensation of his regular position from the agency employing him.

Our estimate was also prepared on the basis that the Executive Secretary and two senior staff assistants would be named as required by the enabling legislation and that about 25 professional positions and 12 supportive clerical positions would be required to initially provide staff needed for the Board's functions. The estimate of 25 professional staff was based

not only on the number of people which we believe could be assimilated in this new organization in fiscal year 1971 but also on the basis that at least that number will be required to perform the research and technical effort required for the initial operations of this new organization.

Our estimate also took into account the need for coordination and cooperation with other Government agencies, the accounting profession, and industry. For example, we are anticipating that task force teams would be established. The size of these teams presumably would vary (3 to 5 members or possibly more) with usually one member being from the Board's professional staff. These teams would visit plants of various types of defense and non-defense industries to obtain information on basic cost-accounting practices in use today for the purpose of developing cost-accounting standards for specific elements of cost. The task forces would be comprised of representatives of Government, accounting profession and industry. In view of the indications of voluntary assistance coming from those sources, we are anticipating that those serving on the task force teams will not be reimbursed for their services, but that the Board would finance the necessary travel costs involved.

This generally summarizes our views with respect to the initial operation of the Cost-Accounting Standards Board. I will be glad to answer any questions to the extent possible but want to emphasize that in the absence of the existence of a functioning Board, I will necessarily have to express my own opinion rather than those of the entire Board.