

Mr. Keller

United States General Accounting Office
Washington, D. C. 20548

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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON CIVIL SERVICE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE, UNITED STATES SENATE
ON S. 2325, A BILL "TO AMEND TITLE 5, UNITED STATES CODE,
TO PROVIDE FOR ADDITIONAL POSITIONS IN
GRADES 16, 17 AND 18,"

Mr. Chairman and Members of the Subcommittee:

We appreciate this opportunity to appear before you to discuss our need for additional supergrade positions in the General Accounting Office as a result of current conditions and increased responsibilities associated with our work throughout the Federal Establishment.

We appeared before the Committee on Post Office and Civil Service of the United States Senate on March 11, 1968, and recommended for favorable consideration and approval of the Congress an amendment to section 5108(c)(1) of title 5, United States Code, that would increase the total number of positions the Comptroller General is authorized to place in grades 16, 17 and 18 from 64 to 90. The number which we are recommending is the same as that contained in S.3672, 90th Congress, which was passed by the Senate last year. That same proposal is embodied in section 1(c) of S.2325 now under consideration and we urge that favorable consideration be given to its enactment.

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All of the supergrade positions authorized for the General Accounting Office have been filled. As set forth in our letter to the Committee on June 24, 1969, we have urgent requirements for an additional twenty-six positions to adequately fulfill our increasing responsibilities as follows:

1. Fourteen (14) positions for our accounting, auditing and investigative responsibilities
2. Twelve (12) positions for our legal, policy, technical and administrative functions.

Since 1961, the Federal outlays have risen from \$97.8 billion to over \$190 billion for fiscal year 1970. This represents an increase of about \$93 billion, or about 95 percent in the past nine (9) years. Although our own outlays have increased from \$40.9 million to an estimated \$63.2 million, or \$22.3 million, this represents an increase of only 54 percent.

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The unprecedented number of new social, economic, and health programs which the Federal Government has undertaken in the past few years has required us to place increased emphasis in these areas. We also have been confronted with an increasing workload in other major civilian agencies stemming directly from our growing economy and increasing requirements relating to space research, atomic energy, education, manpower development and training, postal services and operations, commerce and transportation, power and water resources and other significant activities of Government-wide services.

Similarly, we are faced with a concurrent problem of heavily increased responsibilities on the part of our accounting and auditing staff assigned to defense and international activities on a world-wide basis. Increased emphasis has been placed upon all major areas of defense activities,

including procurement, supply management, manpower, research and development, facilities and construction, support services, and management control systems. The magnitude and complexity of the operations of the Department of Defense require that we place extremely heavy responsibilities upon our staff. For example, in the area of procurement alone, the Department of Defense is awarding contracts for weapons systems and related equipment and supplies at the rate of about \$43 billion a year. We necessarily have had to increase our efforts in this area on such matters as acquisition of major weapons systems, pricing of negotiated contracts, contract procurement systems, contract incentives and contract administration.

Our staff effort involved in carrying out assignments for specific congressional requests has increased from 238 man-years in Fiscal Year 1966 to 445 man-years in Fiscal Year 1968, an increase of 207 man-years or nearly 90 percent. These requests have continued to grow this past year and we expect will further increase in 1970.

During the past year and a half we have been engaged in reviewing poverty programs authorized by the Economic Opportunity Act of 1964, as amended, pursuant to the requirements of Title II of the Economic Opportunity Amendments of 1967. This represents one of the most comprehensive and complex reviews that was ever undertaken by the GAO and completed within an extremely tight time schedule. Our staff was involved in reviews of the Job Corps, Community Action, Neighborhood Youth Corps, Work Experience, Volunteers in Service to America, Rural Loan Program, and the Economic Opportunity Loan Program. With the assistance of contractors and consultants, we undertook to assess program effectiveness of the administering agencies, to make cost-benefit analyses of selected manpower programs, to evaluate management

information provided and recommended under the Economic Opportunity Programs, and to provide quantitative analyses and advice needed for an objective assessment of management effectiveness of selected programs. Our summary report was submitted to the Congress in March 1969.

Pursuant to a request of the Chairman, Joint Committee on Atomic Energy, we recently completed a comprehensive study into certain factors related to the possible transfer of the Atomic Energy Commission's three gaseous diffusion plants to private ownership. The plants initially were constructed and operated for defense purposes; however, their future use will be primarily to provide enriched uranium for fuel in nuclear reactors of utilities for generating electric power. In examining into the question of possible ownership, GAO identified and discussed some of the factors that would be involved for the consideration of the Joint Committee on Atomic Energy, including:

- the Government's obligations and responsibilities
- the future demand for enrichment services
- the economic value of the plants and the effect of plant transfer on the net cash flow to the Treasury
- the installation of improvements resulting from research and development programs
- the increase in plant capacity by additions to existing plants and by construction of new plants
- the electric power costs for operating the plants

Another important and complex program we have undertaken is the feasibility study of applying uniform cost accounting standards to be used in all negotiated prime contracts and subcontract defense procurements of \$100,000 or more. Public Law 90-370, approved July 1, 1968, provides that the Comptroller General, in cooperation with the Secretary of Defense,

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and the Director, Bureau of the Budget, conduct this study and report to the Congress by December 31, 1969. We have consulted with representatives of the accounting profession and with many types of industries affected, such as electronics, food, aerospace, steel, aluminum, machinery, and scientific instruments. Our study is directed to the feasibility of applying uniform cost accounting standards as a means of enhancing the comparability, reliability and consistency of cost data used for procurement through negotiated contracts. We are hopeful that our study will develop possibilities for greater consistency in accounting practices useful for Government, industry, and the accounting profession.

Another program we have undertaken is our study of research contracts and grants. The requirement for this study originated in Conference Report, House Report No. 1970, Department of Defense Appropriations bill for Fiscal Year 1969. In carrying out this study, we performed work in 13 colleges and universities, 2 hospitals, and 2 independent, not-for-profit research institutions. Six of our regional offices participated in this study.

The objectives of this study include:

- . a determination of the feasibility of establishing a uniform formula for indirect costs of research grants and contracts;
- . the reasons for the current wide variations on indirect costs;
- . the feasibility of cost-sharing in lieu of an indirect cost limitation;
- . the need for revisions in applicable cost principles; and, the feasibility of having one research grant in lieu of both contracts and grants.

The General Accounting Office is confronted with an increasing workload in practically all the major agencies of the Federal Government. For example, Federal aid to State and local governments is expected to triple in the

present decade--from \$7 billion in 1960, to \$25 billion in 1970. The increase in number and scale of Federal aid programs reflects the high priority being given to investments in human resources. Consequently, we have provided for additional audits of new and expanded programs in this important area.

At the end of Fiscal Year 1968 the Department of Health, Education, and Welfare was operating more than 200 separate programs which were being financed by appropriations of \$13.2 billion and expenditures of about \$28.4 billion from Social Security Trust Programs. Similarly, we have had to increase our audits of HEW programs and activities.

With the expansion in the number of Federal programs we have had to necessarily increase the responsibilities of our staff significantly within the past two years. For example, in the Civil Division, one of our associate directors, a GS-16, is assigned the responsibility for all our work in the Atomic Energy Commission and the National Aeronautics and Space Administration. Another associate director, GS-17, is responsible for all work in the Department of Health, Education and Welfare, whose annual expenditures approximate \$41.6 billion. An assistant director, GS-15, is assigned the responsibility for all work in the Department of Transportation.

Each of these major agencies represents an extremely heavy responsibility since both the size and importance of the programs are matters of major dollar impact and congressional interest.

As I mentioned previously, we are faced with heavily increased responsibilities on the part of our accounting and auditing staff assigned to defense and international activities on a world-wide basis.

During the current year we contemplate that nearly 1300 man-years of our professional staff will be required to make reviews, examinations, and

investigations of nearly 250 defense and international major programs and activities. Our reviews of policies, operations, and practices followed by the Department of Defense and the military departments frequently result in findings supporting recommendations to Department of Defense officials for needed improvements in management controls. As a result, during the past year actions taken by these officials on our findings and recommendations resulted in collections and other measurable savings of nearly \$108 million. This savings figure does not take into account many other actions for which no direct dollar savings could be estimated.

The magnitude and complexity of the operations of the Department of Defense require that we place extremely heavy responsibility upon our staff. For example, one of our associate directors is responsible for our reviews of all procurement activities in the Department of Defense, including procurement planning, contract awards and negotiations, and contract administration. Apart from these programs, this associate director has responsibility for making some 29 reviews and examinations stemming from congressional requests relating to defense procurement matters. For example, we are providing information and assistance to Senate Armed Services Committee, on the Committee's investigations into three major weapon systems, the Army Cheyenne Helicopter, the Air Force's SRAM air-to-ground missile, and the Navy CONDOR air-to-ground missile.

We have recently taken action to increase our work in defense procurement by over 100 man-years so as to provide the Congress with current data and information on the development and procurement of major weapons systems relating to cost overruns, slippages, performance specifications and delivery schedules.

There is an urgent need to provide additional assistance in these areas of heavy responsibility not only to provide us with a balanced audit effort, but with a capability to be responsive to congressional interest in the significant programs and activities.

Aside from our need in the accounting and auditing operations, we also have an urgent need to provide 12 additional supergrades for our legal, policy, technical, and administrative functions.

Most of these positions will be used to fulfill our basic statutory responsibilities relating to the development of policies, principles, and standards, and the conduct of evaluation studies relating to Government programs, including the complex areas of financial management improvements, automatic data processing operations, and Federal-State-local relations.

Because of the specialized nature of these various fields, it is essential for us to provide promptly the kind of leadership and technical consulting assistance to the Congress, other Federal agencies, and our operating divisions that is needed.

We have greatly stepped up our efforts to expedite the further development of financial management systems by the Federal departments and agencies partly in response to recent recommendations of the Subcommittee on Executive and Legislative Reorganization, House Committee on Government Operations, and the recommendations of the President's Commission on Budget Concepts.

I have cited the above examples, since they require leadership of extraordinary creativity and competence if we are to achieve real and substantial progress. As you know we are attempting to increase our capability to assist the committees of the Congress in appraising not only the adequacy of the management of Federal programs, but also the effectiveness or results

of these programs. This calls for highly expert staff in all fields of financial and analytical techniques.

The rapid advance of technology, particularly in the automatic data processing field, systems analysis, and statistical sampling, requires us to develop and maintain a capacity to deal adequately with these newer techniques.

We are mindful of the Committee's efforts to keep the number of supergrade positions within the general intent of the Congress that they be used to attract and keep the necessary talent and ability in the Federal Government.

We have rigid standards for recommending to the Civil Service Commission the allocation of positions in grades GS-16, GS-17, and GS-18. We have endeavored to increase our professional capability and productivity to meet the needs of the Congress and more effectively discharge our statutory responsibilities.

By experience, we have determined that staff members recruited from colleges and universities develop rapidly to positions of responsibility and maintain the high professional standards required in our work.

In recent years we have recruited an average of approximately 350 graduates of very high quality from some 200 colleges and universities throughout the country. We have been able to achieve a net average increase of about 100 per year.

We believe that with our workload increasing in nearly every category of Government activity we must keep our organizational and administrative arrangements on a sound basis to keep pace with our changing needs. This includes the allocation of positions commensurate with the responsibilities our professional staff must assume.

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While our senior professional staff in grades GS-~~15~~ through GS-~~12~~ has increased from 983 on June 30, 1961, to 1,689 on June 30, 1969, we have, during the same time, been able to reduce our overall staff from 4,990 employees to 4,544, or a net reduction of 446 employees. We believe it essential that we continue to make progress in developing and maintaining a highly competent and qualified professional staff.

The unique and diversified experience attained by our staff makes them unusually attractive to other Federal agencies, public accounting firms, and private industry. During the past 8 years approximately 825 of our staff have transferred to other Government agencies and 400 to public accounting and private industry. 825
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Although 75 percent of these separations generally occur in the early years of their careers, the remaining 300 or so generally leave to accept positions at higher salaries at the time or potentially within the immediate future. Notwithstanding the increased emphasis which we have placed upon the challenging career opportunities with our Office, we can reasonably expect to lose each year about 100 staff members to other Government agencies and 50 to public accounting and private industry.

The nature and complexity of our work requires a high degree of professional ability and competence which limits the kinds of people with adequate experience that we are able to recruit from outside sources at our salary standards.

I am particularly concerned over our limited ability to meet the competition for talent and I do hope you find our justification sufficiently adequate to favorably consider our request.

Suggested language changes for H.R. 7366Page 4

Change line 6 to read "policies that, to the maximum extent feasible, rely on evaluations of internal"

At the end of line 8 strike the period and add the phrase "without performing a duplicative audit unless deemed necessary."

After the word "out" on line 15, add the words "with adequate coverage"

On line 22, delete the words "agency acceptance" and substitute the words "an evaluation"

After the word "systems" on line 23, add the words "to determine their acceptability"

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At the end of line 2, add the following text:

"Where the agency does not accept audits performed under such systems in lieu of its audits, such agency shall make whatever audits are necessary to assure that the Federal funds are expended for the purposes of the Federal assistance program involved."

Substitute the words "(d) Periodic review and testing of the operations under such" for line 3

After the word "including" on line 11, add the phrase "collaboration in accounting systems development and"

Delete the word "schedules" on line 13 and substitute the word "programs"

Delete the words "and make uniform" from line 16. Since the numerous Federal assistance programs involve a variety of matters, it is not considered likely that uniformity can be achieved, but coordination can be vigorously sought. The audits have to be designed to fit each program being audited, and therefore cannot necessarily be made uniform.