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STATEMENT OF



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BEFORE THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

ON

[ S. 1120, THE WASTE, FRAUD, AND ABUSE  
REDUCTION ACT OF 1981 ]

Mr. Chairman and Members of the Committee:

We are pleased to be here today to present our views on S. 1120, the proposed "Waste, Fraud, and Abuse Reduction Act of 1981." As you know, our Office reviews activities and programs of Federal agencies to identify opportunities for greater economy, efficiency, and effectiveness. Given our Office's role in the government, we heartily agree with and endorse the objective of efforts to reduce waste, fraud, and abuse in the administration of government programs. S. 1120 would seek to accomplish this objective by an across-the-board 2 percent reservation of funds for fiscal years 1982 and 1983. We question whether the approach taken in this bill will achieve its objective. We are concerned that the bill

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would create disincentives to reporting waste, fraud, and abuse, and that it establishes procedures which are duplicative of the existing budget control process and are unclear in some respects.

Disincentives for reporting  
waste, fraud, and abuse

We are especially concerned about the disincentive to appropriate and timely reporting of fraud, waste, or abuse by agency inspectors general and internal audit organizations. As we understand S. 1120, those agencies which determine "there is no such waste, fraud, or abuse" may submit a request to the Congress for release of the amount withheld from them, which would be, under S. 1120, equal to 2 percent of their appropriation.

Similarly, an agency which was able to "save" less than 2 percent may request the release of the difference between the amount withheld and the amount "saved." The only agencies that could not request a release of funds withheld would be those who reported they had "saved" 2 percent or more.

Under these ground rules, the less fraud, waste, and abuse an agency reports, the greater will be the amount it can request to be restored. Thus, some agencies could begin to look with disfavor on the timely reporting of their internal audit or inspector general organizations which show savings from fighting fraud, waste, and abuse, because reported savings will be offset against the 2 percent withheld. This would be unfortunate and may have negative consequences in connection with internal audit operations including those of the inspectors general.

Operation of the process  
created by S. 1120

S. 1120 would in effect establish a separate process for administering 2 percent of each agency's appropriation. From the agencies' perspective they would have two sources of funds and separate processes for each source. Thus the workload of most participants in the budget process will be increased in addition to the workload of the new participants who must administer the new requirements for reporting and evaluating fraud, waste, and abuse efforts. In our judgment, the budget process already has severe timing and workload problems, and we are reluctant to support adding to it.

Three specific aspects of the process that concern us are:

1. The 2 percent is apparently intended to apply to all of the appropriations of each agency, yet the "savings" are not intended to reduce services. Agencies which have very small administrative costs and are not able to make savings may find it very difficult to wait until the beginning of the last quarter to know if they are going to get the 2 percent released or not. Therefore, it will probably be necessary to develop special rules for some agencies.
2. The agencies have the only explicit means for initiating the process for releasing the funds. Since the agencies are given discretion as to

whether or not to submit a request, an agency could lower its funding simply by not requesting release. You may want to make the bill explicit that the committees have the authority and responsibility to initiate release themselves where the agency has not made a request but the Congress still believes the entire amount originally appropriated should be spent.

3. Without any definitions or criteria for what constitutes fraud, waste, and abuse and how to measure "savings" we are not sure how disputes would be settled over the classification and measurement of the "savings" that are to be offset against the 2 percent withheld. We anticipate that this could require an item-by-item review by this committee to determine specific items and amounts to be included or excluded.

#### CONCLUSION

In sum, although we strongly agree with and endorse the objective of reducing waste, fraud, and abuse, we are concerned about the means to achieve this objective embodied in S. 1120. We urge that you examine the relationship and impact of the bill on existing laws and procedures for Federal budget and spending control and auditing.

There are a number of ways of improving specific aspects of Government administration in order to achieve economies

including better debt collection, procurement practices, and internal control systems which we are working on with your committee.

There is also the alternative of reducing appropriations directly and thus forcing agencies to find economies or request and justify supplemental appropriations, which would all be accomplished through existing procedures.

That concludes my prepared remarks. I would be pleased to answer any questions you may have.

