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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
TUESDAY, FEBRUARY 8, 1983

STATEMENT OF  
CHARLES A. BOWSER  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE  
LEGISLATIVE SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
BUDGET ESTIMATES FOR FISCAL YEAR 1984



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Mr. Chairman and Members of the Subcommittee:

I am pleased to discuss GAO's budget request for fiscal year 1984. The "Justification of Estimates for Fiscal Year 1984," which you already have, describes our request in detail.

During the past year GAO was able to sustain its efforts to improve the efficiency of government operations and to provide timely assistance to the Congress.

--Though the full impact of GAO's activities on improving Government programs and on spending matters cannot be measured, the Government realized \$5.9 billion in collections and other measurable savings last fiscal year by implementing GAO recommendations, a return of about \$24 for each dollar appropriated to GAO in fiscal year 1982.

--GAO made about 1,800 recommendations to the Congress and Executive agencies during fiscal year 1982--19 percent directly related to reducing costs and 45 percent to improving the operations of various programs. The remaining recommendations focused on such areas as improving financial management and congressional oversight. Even though the recommendations were made only last year, appropriate officials have already implemented about 20 percent

of our recommendations; they are in the process of implementing another 43 percent.

--GAO officials testified before the Congress 177 times last year and provided hundreds of informal briefings to Members and staff.

We issued numerous reports to help the Congress address critical national issues.

--GAO analyzed how the Defense Department planned to spend its rapidly increasing budget. The Department followed through on its pledge to emphasize readiness and sustainability and to invest heavily in force modernization. But, it had only limited success in eliminating marginal weapon systems and could have spent fund increases more prudently in operations and maintenance areas.

--GAO reviewed 24 major weapon systems for the Congress last year. For example, the Navy was planning to buy out-of-date trainer aircraft for its AV-8B program. We suggested that a more modern trainer be procured. The Navy agreed and estimates that it will save about \$400 million as a result.

--GAO has devoted considerable effort to evaluating IRS' administration of the tax laws. Much of our

work was acted on when the Congress passed the Tax Equity and Fiscal Responsibility Act of 1982.

The new law followed GAO's advice by eliminating interest-free installment payments of income tax by corporations. Treasury estimates that this provision will yield \$692 million in revenues through 1987. The law changed the way interest is calculated on unpaid taxes, increasing revenues through 1987 by an estimated \$291 million.

--Because of the uncertainty surrounding nuclear power and its role in our Nation's energy future, GAO assisted the Congress in evaluating the level of and need for Federal support of several major programs. GAO's work in the nuclear plant construction area has centered largely on two issues - the adequacy of the demand forecasts which led to the overcommitment to build nuclear power plants and the implications of numerous plant cancellations and deferrals.

--GAO has undertaken a broad range of studies to understand the scope of the "infrastructure" problem and identify options for congressional and executive consideration. We reported on the operations of wastewater treatment plants noting that for half the plants we surveyed users were not being charged enough to cover operation and maintenance costs,

even though the Congress intended that the municipalities raise sufficient funds.

We appreciate the stability made possible by the amount of funds appropriated to us this year. We need to maintain that stability during the coming year to continue measured achievements of greater economy and efficiency in Federal operations. Our fiscal year 1984 budget request of \$269,625,000 will support the same staff level provided to GAO in fiscal year 1983--5000 staff years.

#### PROGRAM EMPHASIS

Last year I advised the Subcommittee of my commitment to personally look at all new jobs started in GAO to assure their relevance and appropriateness. We started about 1500 projects last year. I questioned the need for some and saw to it that others were refocused. Overall, I and my immediate office followed up in detail on about 10 percent of all GAO jobs started last year.

This close review of specific jobs, coupled with extensive discussions with staff, further convinced me of the need to sustain initiatives that I began last year--such as our defense budget task force and our audit of block grant implementation. But, perhaps even more importantly, my efforts last year helped clarify the need for GAO to do more in two areas critical to the

efficient, effective operation of government—ADP and financial management. Two efforts we completed last year illustrate why these areas are so critical to effectively operating government programs.

We provided the Congress with extensive, specific information and recommendations on ways to more effectively use defense expenditures, and we intend to continue to do that. One of our most important general findings was that DOD does not have systems that adequately track how the money Congress appropriated to it is actually spent. DOD needs to develop a system that will identify what is to be achieved with increases to the Defense budget, and over what period of time. Then the Department should be able to report to Congress what has been accomplished for major programs or specific appropriations relative to established goals. Implementing such a system requires sound, effective ADP and financial management components.

In response to congressional and taxpayer concern about the size and growth of entitlement programs, we examined various ways to control costs. We have recommended that the President be given discretion to modify the amount of adjustment indicated by the consumer price index. We also reported that inadequate controls in Social Security's computer system have led to significant amounts of erroneous payments. Hundreds of millions of dollars are improperly paid annually to beneficiaries of other entitlement programs who either fail to report, or report only part of their income and assets.

The Government cannot expect to keep pace with program changes and efficient and effective program management if it does not have good information on what is happening. And most of that information is computerized. I asked our staff last year to identify major ADP systems throughout government that are critical to successful operation of major government programs. We identified over 100 such systems, about 50 of which will either disburse or receive almost \$500 billion of fiscal year 1983 budget authority funds. It is critical to effective government operations for the agencies to keep pace with technological change and to have well-run ADP systems.

The Federal investment in ADP equipment, software, and related services and staffing is enormous. During the next 5 years the executive branch plans to spend almost \$22 billion to upgrade ADP and communications systems. The magnitude of government expenditures for ADP and the vast amount of Federal program funds dependent upon ADP systems for control mandate that GAO make a more substantial commitment to ADP reviews. We need to assure that we have adequately qualified and trained staff to do the work.

I have already taken certain actions to reassess how we are organized to best audit ADP operations and expect to take more steps during the coming year to better assure that we have the right staff in the right place to do the needed ADP work. I will be developing a long range plan for accomplishing our objectives

in the ADP area and will present to you in our fiscal year 1985 budget request the effect our plan will have on the required numbers and skill mix of our staff.

Financial management--including budgeting, accounting, auditing and financial reporting--is another key to the Federal Government's ability to do its work efficiently. Enactment of the Federal Managers' Financial Integrity Act of 1982 will greatly facilitate improving financial management in the Government. I am reassessing our accounting systems approval process, as well as assessing our capability to monitor the implementation of the Act. We will review the reports submitted by agencies as required by the Act and increasingly assess the effectiveness of ongoing agency financial management systems. Financial management is integral to effective program management; resources cannot be used effectively if good financial systems do not exist for deciding how to allocate them, monitor them, and assess the results obtained. In this regard, I am pleased to note that after many years of effort by my predecessor and others, the Governmental Accounting Standards Board is becoming a reality. It is important for us to support this effort. Attachment I to my statement suggests language that could be included in our appropriation to provide \$100,000 for such support.

## ORGANIZATION CHANGES

My attention to ADP and financial management and other program initiatives I began last year reflect the commitment I made to look critically at our operations and resources to assure that the funding we seek is the minimum necessary to do our work effectively. I have already made several organization changes to improve our efficiency.

I consolidated the Energy and Minerals Division and the Community and Economic Development Division into a newly established Resources, Community and Economic Development Division. This consolidation should help GAO do jobs better, quicker and more economically by bringing together in one organization two divisions with significant program interrelationships. It will promote GAO flexibility in allocating staff to priority work. I intend to consolidate more divisions this year.

During FY 1982 I appointed three new Assistant Comptrollers General.

--The Assistant Comptroller General for Planning and Reporting will be responsible for setting the overall direction of GAO's work and assuring the quality of its products. He will have special responsibility for assuring that GAO effectively implements recommendations designed to reduce the time it takes to complete its work.

--The Assistant Comptroller General for Operations will have broad responsibility for overseeing the day-to-day technical and administrative management of GAO and assure that the various GAO units are organized to carry out their roles and responsibilities efficiently and effectively.

--The Assistant Comptroller General for Human Resources will be responsible for developing GAO's new personnel system and guiding its staff training and career development operations, recognizing that the primary strength of GAO is in the expertise and dedication of its staff.

I have taken action to address my concern that GAO sometimes takes too long to carry out its work and communicate the results. I have emphasized that our Washington staff be more current with audit progress by traveling more to the sites of our audits throughout the country. My Reports Task Force made a number of wide-ranging recommendations relating to the time it takes to do GAO's work and improve the ways we communicate our results. I expect to implement many of its recommendations.

Tied closely to the work of the Reports Task Force efforts are our continuing efforts to upgrade staff skills and streamline our personnel system. Our Personnel Systems Development Task Force's initial efforts have been directed to streamlining

our current performance assessment and promotion processes. Over the long term our goal is to design a personnel and compensation system more befitting the professional nature of our staff. This effort is complex and will affect every GAO employee. We are therefore moving deliberately, continually seeking advice and reaction from our staff as we refine the system's concepts and processes.

Another key to more timely, efficient jobs will be greater use of state-of-the-art office automation equipment. In late FY 1982 we completed a contract to install automated work processing stations throughout GAO to replace our existing outdated equipment. The new units have data processing capabilities which our auditors are beginning to use in doing some audit assignments. We are also looking at applications of micro or personal computers to help us do our analysis work more effectively. Employing this modern technology in our daily activities will greatly facilitate our ability to keep pace with increasing workload demands on a shorter turnaround basis.

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Last year, I stated that to fulfill its mission effectively GAO needed sufficient funds to permit organizational stability, development and maintenance of a properly trained staff and adequate support capability. I felt that then I could

effectively begin the process of assuring that GAO continue its excellent tradition of providing the Congress information about how current programs are working and about how new programs will work.

The resources provided to GAO in fiscal year 1983 will enable me to continue that process. I again would like to thank the Congress for its support. The resources will also assure that we adequately cover all executive branch operations and that we can respond quickly and effectively to congressional needs for information about programs and activities in all areas of government. The amount of money I have requested for fiscal year 1984, by providing for the same level of staff we now have, will continue to provide the stability\_essential for me to complete my initial efforts to assure that GAO continues to be responsive to the Congress.

This concludes my prepared statement; I will be pleased to answer any questions.

"Provided further that this appropriation shall be available to finance a portion, not to exceed \$100,000, of the costs of the Governmental Accounting Standards Board."

The Governmental Accounting Standards Board is sponsored by the Financial Accounting Foundation, a private, non-profit corporation with public and private sector membership. We believe its desirable to support the board in its early start up years.

The Governmental Accounting Standards Board will promulgate uniform accounting standards for State and local governments. These standards will be very useful to the Federal Government in general and particularly to the General Accounting Office because they will provide more uniform and objective reporting of financial information by State and local governments. Such information is needed by private investors to make more informed investment decisions (e.g., the purchase of State bonds), as well as by Federal agencies to determine whether grant and revenue sharing funds are being properly spent.

Uniform standards will aid in tracking the application of block grant funds and will assist us in maintaining accounting standards for the Federal sector. The Board will be financed predominantly by state governments and private sources. The General Accounting Office participated with the Committee that organized the Board and it is important that the Federal Government join with other sources to support the Board's initial operations.

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MR. CHAIRMAN:

We are requesting \$9,350,000 in supplemental funds for fiscal year 1983. This request is based on the cost to GAO of paying \$8,516,000 for the four percent civilian cost-of-living adjustment that became effective on October 3, 1982. The balance of the request is to pay \$834,000 for the rise in executive and senior staff salaries beginning on December 18, 1982 as authorized in P.L. 97-377, the Second Continuing Appropriations Resolution of 1983.

Personnel costs in FY 1983 account for 77 percent of our budget, the same level as in FY 1982. I would like to absorb part of this request, but we have examined closely our financial requirements for the balance of the fiscal year and find it impossible to free up funds at this time without causing serious disruption to our operations.

We will continue to review our financial requirements and will notify the committee should funds be identified to offset some of our supplemental request.