

GAO

Testimony



139781

For Release on
Delivery
Thursday,
May 11, 1989

Fiscal Year 1990 Budget Estimates for the
General Accounting Office

Statement of
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Comptroller General of the United States

Before the
Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate



046779 / 139781

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our fiscal year 1990 funding requirements.

I have almost completed half of my term as Comptroller General, and I want to thank the committee for your support in helping to bring GAO where it is today. To maintain our leadership role and provide the Congress with the best support possible, we need to retain and motivate the outstanding people in GAO who are doing such an excellent job of meeting the challenges we face today. Also, your continued support in helping us gain control of the GAO Building, remove the asbestos, and modernize all of our facilities is a major contributor to our ability to attract top people to GAO and equip them with the resources needed to do their jobs effectively.

FY 1990 Request

We are requesting \$385,354,000 to fund 5,200 average positions in 1990, and authority to obligate \$5,564,000 in funds paid to GAO by Labor's Bureau of Labor Statistics (BLS) and Treasury's Financial Management Service for their share of costs associated with the operation, maintenance, repair, and protection of the GAO Building. Over 61 percent of the \$38 million increase over the fiscal year 1989 appropriation is needed to meet mandatory

pay and related costs (\$18 million) and inflation increases (\$5.4 million) for goods and services used to support the work of GAO at existing service levels.

Thirty-two percent of the requested increase is associated with a 100-average-position increase (\$5.6 million) and other program enhancements (\$6.6 million). The balance (\$2.4 million) is to fund the purchase of microcomputers needed for audit and evaluation work. These microcomputers will bring GAO closer to its goal of 4,300 units by the end of fiscal year 1991.

If our request is approved, we will be able to move ahead in our efforts to recruit excellent new staff; train and motivate our people; and provide them with an efficient, healthy work environment as well as modern automated equipment and networking capability necessary to effectively and efficiently do their jobs. Thanks to the Committee's support, we have made some significant strides in these areas.

Accomplishments

Fiscal year 1988 has been one of our most successful years. We have addressed major national issues such as the deficit, the soundness of our financial institutions, important health issues, air traffic safety, major computer acquisitions, defense issues and controlling drug abuse. We have developed a strong level of

technical expertise over a wide range of issues that is being called upon by congressional committees. Over 1,300 requests from the Congress for various GAO work products were received during fiscal year 1988. Responding to this challenge, GAO's divisions completed 1,433 jobs in 1988, and started over 1,500 new ones. At the end of the year we had over 1,100 jobs in progress.

At any point in time, we are usually handling requests from over 200 committees and subcommittees as well as from over 450 members. Congressionally requested work represents 82 percent of our total workload. This compares to an average of 61 percent over the past 5 years. This, I think, is an excellent indicator of how useful the Congress finds GAO's work.

Another indication of our increasing usefulness to the Congress is the record 227 times that we were asked to testify before congressional committees in 1988. We had 58 different GAO officials who served as principal witnesses at the various hearings. Only the Department of Defense testifies more often. I am pleased that GAO's findings and recommendations are of increasing value to congressional committees.

Also, we issued a record 825 reports to the Congress, committees, and members in fiscal year 1988--555 chapter and letter reports, 167 briefing reports, and 103 fact sheets. This

is 22 percent more than fiscal year 1987. The number of laws and bill reports mandating GAO work has grown--from 5 in fiscal year 1983 to 35 in fiscal year 1986 to 94 in fiscal year 1988. All of the activity resulted in a record \$23.6 billion in measurable financial benefits in fiscal year 1988. This level, which represents \$71 of measurable financial benefits for every dollar appropriated to GAO, is more than \$5 billion higher than previous records in fiscal years 1986 and 1987.

Highlights of FY 1988 Work

During fiscal year 1988, GAO made major contributions across many important areas. To assist the Congress and the new administration, GAO decided to try something new. We pulled together work we had done in recent years into 26 concise reports to the Congress and President-elect. Each report covers a separate subject area. The first 8 cover governmentwide issues. The remaining 18 are agency or department specific. The reports deal with significant issues such as the budget deficit, the savings and loan crisis, health and safety problems posed by nuclear weapons plants and persistent problems in government procurement.

Planning for a Responsible Budget

Among the most urgent issues facing the new administration and the Congress is the budget deficit. Unless this problem is solved it will hamstring the Congress and the administration's ability to achieve vital policy goals. There are no quick or painless solutions to the federal government's budget problem. The apparently simple or painless answers will not work.

I have frequently testified to this effect before congressional committees, pointing out that a bipartisan effort to control expenditures, increase revenues, and reduce the trade deficit is essential to getting the federal budget back on an even keel. The success of this effort demands good financial management systems. Federal managers and congressional leaders must have accurate and reliable financial data to make critical decisions during these difficult times.

In support of this, GAO has provided leadership, calling for agencies to incorporate sound accounting principles and consistently apply them across the board. Similarly, we believe agencies' financial data need to be verified independently by auditors following auditing standards issued by the GAO.

Safeguarding Financial Institutions

Depository institutions have been plagued by unfavorable economic conditions, inadequate internal controls, insufficient capital standards, and poor management practices. GAO has observed that the laws affecting depository institutions have become outdated and that regulations are no longer adequate. GAO has been in the forefront of this issue in estimating that it will cost at least \$85 billion more than receipts available to the Federal Savings and Loan Insurance Corporation over the next several years to deal with the thrift industry's problems and has recommended modernization of banking laws to keep pace with the evolving financial services industry.

The stock market crash in October 1987 prompted a major report and several testimonies from GAO. GAO's recommendations included methods to improve automated trading systems on the exchanges, intermarket contingency plans, and methods to better coordinate regulation. GAO is continuing to explore issues relating to trading securities, individual investor protection, and the growing internationalization of markets.

There is a strong congressional interest in banking and securities issues, and we are planning to devote some of the additional resources requested to help us with the increasing workload in this area.

Health Issues

GAO has become increasingly involved in national health issues. For example AIDS research and prevention has become one of the most significant health issues of the 1980s. GAO reports have cited education as an important preventive measure in the battle with AIDS, and we have urged prominent federal leadership and guidance in developing a national strategy for preventing AIDS. We have tried to set an example of leadership by studying the issue of AIDS in the workplace as it applies to GAO, and, in so doing, we set standards on employer handling of AIDS. OPM adopted our standards as the model in developing its governmentwide policy.

Another major health issue is quality of care and the control of spiralling health care costs. GAO has continued to help the Congress find ways to improve the quality of health care at affordable prices. We have provided reports, briefings and testimonies on issues ranging from ways to enhance DOD's Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) to the need for the Veteran's Administration to more closely monitor the facilities that perform cardiac surgery to ensure they provide high quality surgical services. We expect quality health care will continue to receive considerable attention in the

coming Congress and believe that our work will be of great value to the congressional committees as they seek solutions to the problem of ensuring that quality health care is available.

GAO is also continuing a major effort to help the Congress deal with the health care cost spiral, especially as it affects the major federal health insurance programs. We have recently reported that current Medicare payments overcompensate teaching hospitals for the indirect costs of medical education. In the near future we will be reporting on (1) ways to make managed care approaches under Medicare more effective, and (2) possibilities for reducing the level of reimbursements to clinical labs, durable medical equipment suppliers, and several medical and surgical specialties.

We are requesting additional staff to respond to increasing congressional interest in public health issues.

Air Traffic Safety

GAO testified more than 20 times in the past 2 years on issues affecting the operation of the Federal Aviation Administration's (FAA's) air traffic control system. Our work has highlighted both shortages in the FAA workforce and also delays and cost growth in modernizing air traffic control equipment.

FAA is now coming to realize that it must come to grips with serious personnel issues. Today, 8 years after the 1981 air traffic controllers' strike, there are almost 4,000 fewer fully qualified controllers than before the strike. Moreover, shortages of inspectors and maintenance technicians are having an adverse impact on FAA's ability to cope with increasing levels of air traffic. For example, some 4,300 technicians who maintain air traffic control equipment--over half the current work force--are expected to retire by 1995. We have called on FAA to develop staffing standards for its various work forces, upgrade its recruitment and training, and accelerate hiring for critical positions.

FAA's major modernization initiative, the National Airspace System Plan, has lagged behind schedule by up to 4 years and needs reevaluation. We have estimated the costs of all modernization projects at \$25 billion by the year 2000, more than double the original plan estimate made in 1981. Our work on individual projects within the Plan has shown that cost, schedule, and technical problems have hampered many of the systems, and FAA has not always followed prudent procurement practices.

Given the importance of a safe, efficient air traffic control system, we expect continued high levels of congressional interest in these issues, and we will also focus on the broader questions of the management improvements and federal funding required to effectively carry out air transport.

Major Computer Acquisitions

Large ADP systems are becoming the lifeblood of the Government. The acquisition of these systems has been replete with difficulties and problems causing inefficiencies and unnecessary expenses. We are seeing increased congressional interest in these matters as the Congress is asked to fund more and more systems at higher and higher costs. We have conducted reviews of a number of these large systems. For example, we issued several reports addressing various aspects of the Social Security Administration's (SSA's) system modernization activities, the Internal Revenue Service's (IRS's) efforts to modernize its 30 year old system, and the effectiveness of Department of Defense's (DOD's) automated information systems.

The SSA is undertaking a major effort to modernize its systems. GAO was asked to examine their effort and we reported on management and technical issues that are preventing the agency from adequately predicting the computer capacity needs to support its modernization efforts. If SSA's system is not modernized,

its ability to efficiently and effectively pay its recipients could be jeopardized. SSA projects the total cost of this modernization in excess of \$1 billion.

We have also reported on IRS efforts to modernize its 30 year old tax processing system which is used to collect hundreds of billions of dollars of tax revenues each year. To be successful in this effort, it is essential that IRS provide increased top management attention and technical expertise. We have reported on IRS's need to identify redesign alternatives and cost benefit analyses for the modernization program as well as the need to provide sufficient computer capacity and better test new systems.

DOD spends in excess of \$8.3 billion annually to acquire, develop, maintain, and operate its automated information systems that support military functions such as supply and maintenance, technical data, and manpower management. The expected life-cycle costs associated with these systems exceed \$80 billion. In addition, mission systems largely for command, control, and communications, cost more than \$22 billion per year, with expected life cycle costs exceeding \$90 billion. In recent years we have reported that many of these Defense systems far exceeded their original cost estimates, became operational later than scheduled, and fell significantly short of originally approved

performance expectations. We have found that design flaws, misjudgments in requirements and poor program management have caused or contributed to these problems.

In 1990, GAO is planning to review computer systems, telecommunications, and information resource management issues, each of which is essential to carrying out some of our nation's most vital functions. If the systems do not meet their objectives, the impact on individuals and the nation could be devastating. GAO will be reviewing these systems to provide the Congress with information and analysis on, among other things: (1) whether these systems work as planned, (2) whether the systems are being implemented in the most cost effective manner, and (3) whether the approach being used is technically reasonable and feasible. We have requested additional staff to help us meet expected increases in congressional request workload in this area.

Defense Issues

The military budget doubled between 1980 and 1985 and, in my view, many of the problems that we see in defense can be traced to this buildup which was too much, too fast. GAO continues to devote a significant proportion of its audit and evaluation efforts to defense. The problems identified by that work are numerous, but let me highlight a few.

--Bow Wave

For 1989, the defense budget stands at \$300 billion, and DOD will likely have to live with constraints or no growth budgets for some time to come. Yet, each of the services estimates the need for many billions of dollars more to complete its modernization and expansion programs. For example, DOD recently estimated the cost of the first strategic defense system at \$69 billion, and other estimates of the cost for deploying a full population protection strategic defense system range as high as a trillion dollars. In addition to the high costs to acquire weapons, additional billions of dollars will be needed to operate and maintain them. DOD must adjust its proposed programs and spending patterns to recognize current fiscal realities.

--Cost Overruns

The procurement of weapons takes a large portion of the DOD budget, and the process for acquiring them must be stabilized. Without stability, the process will continually face uneconomical program stretchouts and management deficiencies which lead to cost overruns. Since the mid-1960s, the DOD budget has been characterized by rapid growth followed by austerity followed by rapid growth again. This instability inhibits managers from making sound decisions which are needed to avoid subsequent cost overruns.

--Strategic Bombers

Two new strategic bombers--the B-1B and the B-2--are a significant part of the efforts to modernize the Nation's nuclear deterrent force.

After spending over \$30 billion, however, the B-1Bs do not work as planned because of deficiencies in the defensive avionics system and continuing support and maintenance problems. Our work showed that the fast paced B-1B production schedule, which was driven by the need to meet an early initial operational capability date, conflicted with the orderly completion of development and flight testing.

GAO has been examining aspects for the B-2 Stealth Bomber program since September 1985. These bombers will be extremely expensive and the U.S. Air Force (USAF) has recently confirmed cost growth of about 16 percent in the program. USAF's new estimate for 132 B-2 bombers totals \$68.1 billion.

--Navy Shipbuilding

Our work on the U.S. Navy's shipbuilding program shows that significant contract cost overruns are being experienced. Early last year overruns of almost \$2.1 billion, or 18 percent over target cost, were being projected for 21 contracts involving 60

vessels. A matter of particular concern is that overruns increase the likelihood of contractor claims against the government. We are continuing to monitor this area.

--Inventories Management

To support its weapons systems, base operations, and other activities, DOD's inventory of secondary items, such as space and repair parts, is at an all-time high. At the depot level alone, the value of these items grew from \$43 billion in 1980 to \$94 billion in 1987. While much of this growth resulted from increased costs due to inflation and the need to support weapon systems modernization, a sizable portion represents unneeded inventories. The amount of unneeded secondary items increased from \$10.1 billion in 1980 to \$28.9 billion in 1988, much faster than needed items. In 1987, unneeded inventory represented 31 percent of total inventory compared with 23 percent in 1980. More efficient inventory management by the military services and defense agencies can reduce these inventories, which could free defense dollars for other areas without reducing readiness.

--Procurement Complexities

The DOD procurement system is probably the largest and most complex in the world, and management of it has always been formidable. The unprecedented peacetime buildup of defense

during this decade, coupled with disclosures of excessive prices paid for spare and repair parts, followed by the current procurement scandal have placed tremendous pressure on the procurement system. We will continue to maintain an extensive audit effort in this area focusing on such matters as the pricing of defense contracts, use of consultants, and the internal controls over the award of contracts. Continuation of DOD's efforts to increase the professionalism of its procurement workforce is very important. Frequently, key acquisition positions are filled with people who are unprepared for their assignments.

The Nuclear Defense Complex

One defense activity with enormous budgetary implications is the manufacture of nuclear weapons. The Department of Energy oversees weapons production in the nuclear defense complex, consisting of some 50 facilities located around the country. GAO's work over the past several years has been instrumental in bringing to the forefront the serious environmental and safety problems surrounding the aging complex. These problems include (1) uncertain emergency cooling systems and seismic bracing of nuclear reactors, (2) deteriorating equipment and buildings, many at or beyond their expected lifetimes, (3) high levels of

groundwater contamination, (4) serious accidents that have been hidden from public scrutiny, and (5) inadequate radiological protection programs at buildings that process plutonium.

In October, 1988, we estimated that the investment needed to correct these problems will likely exceed \$130 billion. Modernization plans under consideration, which include expanded plant capabilities and relocation of some facilities, could add at least another \$15 billion to \$25 billion. Given the enormous costs involved and the public's interest in assuring environmental and worker safety in nuclear operations, we expect our work in this area to increase over the next several years.

Controlling Drug Abuse

Drug abuse is a major national problem despite increasingly expensive federal anti-drug efforts. GAO produced a special report on controlling drug abuse that was initially distributed for use by a congressionally mandated White House Conference for a Drug Free America. The report has received extensive congressional and public attention (12,400 copies have been distributed).

Since 1982 the military has played an ever increasing role in the war on drugs. The military is no longer simply playing a support role to civilian law enforcement agencies, it has been assigned a

lead role in certain areas of interdiction (anti-smuggling). Questions exist whether enough military resources can be applied to make a difference and whether resources are applied effectively. In hearings on federal anti-drug efforts and the proper role of the military in "the war on drugs", we testified that our present drug abuse control strategy is not working and cautioned the Congress and the executive branch against expanding law enforcement and international programs aimed at controlling illegal drug supplies. We also warned against increasing military assistance to drug interdiction programs, which have failed to significantly reduce drug smuggling. The Anti-Drug Abuse Act of 1988 reflected our conclusions that the military should continue to provide technical and logistical support to drug law enforcement agencies but should not be given arrest, seizure or domestic intelligence gathering authority; that authority for developing a unified anti-drug strategy should be vested in a single individual reporting directly to the President; and that it is time to consider devoting more emphasis and resources to programs aimed at reducing the demand for drugs--prevention, treatment and research.

GAO's future work will focus on the overall cost and effectiveness of drug abuse control efforts. GAO will identify ways to improve Congress' ability to make decisions about which anti-drug programs work best and where limited federal resources should be concentrated. In addition to assessing law enforcement

and international narcotics control programs, GAO will devote increased emphasis to evaluating demand reduction programs. For example, a special GAO report on drug abuse noted that drug treatment facilities in major cities cannot meet the demand for treatment services. GAO is now assessing the effectiveness of methadone maintenance as a treatment for heroin addiction, and plans further studies of treatment methods and capabilities.

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Overall, GAO work is focused on significant national issues that face the Congress. Our work continues to be more responsive to congressional needs than ever before, and we expect an increased demand to provide the Congress with important insights into federal programs and issues during the coming year.

GAO's role goes beyond auditing and evaluating federal programs. For example, we are involved in setting government auditing standards, issuing legal decisions, resolving bid protests, and settling claims for and against the federal government.

GAO has traditionally played an important role in setting standards followed by the audit profession. Last year we issued the second major revision since 1972 in government audit standards. These standards must be followed in auditing all government organizations, programs, activities, and functions, as well as government funds received by contractors, nonprofit organizations, and other nongovernment entities.

The revised government auditing standards--encompassing financial and performance audits--are designed to help ensure full accountability and to provide public officials, legislators, and taxpayers with information on whether government funds are handled properly and in compliance with law and regulations and whether government programs are achieving their intended purposes in an economic, efficient, and effective manner. The new standards, which apply to all audits starting after January 1, 1989, will help assure proper management of the taxpayer's dollars in government accounting and financial management systems.

Related to this effort is our involvement with the Governmental Accounting Standards Board, which we have supported since fiscal year 1985. Standards set by the board will help us considerably as we audit the use of Federal funds by state and local governments.

In addition, GAO handled 6,255 separate legal matters during fiscal year 1988. These included legal decisions and advice, bill comments, and legal opinions and interpretations for the Congress.

Staff Increases

As I mentioned earlier, we have had a number of notable successes over the last fiscal year but more needs to be done. For that reason, I am requesting an increase in average positions to provide more comprehensive coverage of major national issues and to better respond to increasing congressional requests for GAO products. \$5.6 million is needed to fund the additional 100 average positions we believe necessary for GAO to meet the additional workload.

The 100 additional average positions are planned for use as follows:

- Twenty-five to conduct audit work related to the soundness of financial institutions and markets.
- Twenty-five to support new initiatives and expand work in such defense procurement and management issues as weapons systems acquisition, contract pricing and contractor compliance, use of consultants, and NASA and space-related issues.
- Twenty to provide more coverage of government-wide ADP and telecommunication systems such as FAA's air traffic control, GSA's FTS 2000, SSA's systems modernization, DOD's defense automated information systems, and space and space-related information technologies.

- Twenty to respond to strong congressional interest in the nuclear energy area, particularly relating to nuclear waste management and nuclear safety.
- Ten to meet increased congressional interest in national health issues and concerns such as AIDS, public health, child health, and catastrophic health insurance issues.

Our Justification of Estimates for Fiscal Year 1990, which you already have, describes our request in more detail. We have succeeded in achieving greater operational efficiencies over the last several years. But much more remains to be done, and it will require a further investment of resources. I believe that this investment will yield major benefits. It is incumbent upon GAO like any other federal agency to use tax dollars as efficiently and effectively as possible. In order to do this, we have undertaken several internal initiatives that will result in a more effective and productive workforce. These initiatives will require considerable commitment and effort for the next several years.

Operational Efficiencies

I believe that for GAO to produce high quality and timely work for the Congress we need to:

- Continually seek operational efficiencies,

- Make certain that our professional staff have access to modern, automated equipment to assist them in their work,
- Recruit the finest people possible,
- Train our people on a regular and continuing basis always emphasizing the utilization of modern audit and evaluation techniques especially at the senior management level,
- Motivate the staff through pay incentives, job status and satisfaction and,
- Provide our staff with a safe, healthy, pleasant work environment.

If we are able to achieve these objectives, we can provide the Congress with the finest service possible.

-- Operations Improvement Program

In recognition of the central role of each employee in achieving operational efficiencies, we have an active program designed to elicit, study, and implement ideas from staff throughout the organization of ways to improve the efficiency and effectiveness of GAO's work. This Operations Improvement Program (OIP) provides for the recognition and reward of individuals who

submit beneficial suggestions that result in further operational efficiencies. In addition, we have just developed a new quarterly indicators report to document our progress.

As new and innovative approaches to doing our work better are proposed, we test them and determine if they help us improve our ability to provide the Congress with more timely work of good quality. One such test involves the concept that sometimes it may be more efficient to buy skills on a temporary basis than to use permanent GAO staff. Over the last several years, we have increased the use of consultants and experts in our audit and evaluation work and found it has increased staff efficiency and our ability to absorb an increased amount of work.

In response to a request from this Committee, we are now planning to conduct a carefully structured test whereby we would contract for selected kinds of tasks in support of our audit and evaluation work. We will focus on two key evaluation topics: the feasibility of contracting and the relative performance we obtain by doing work ourselves versus using contractors' assistance. Because fair and open competition to obtain contractors for the selected tasks will take time, we have planned a series of reports. We expect to provide an initial report this fall on GAO contracting together with supplementary data on contracting by IGs and by OTA. If we succeed in having the contracts in place by about June 1989, we should have some

limited answers for the Congress by March 1990 based on our experience up through the previous fall. We are planning for a second year of contracting which will allow us to present a third, more definitive report later in 1990.

As another example, we are examining the efficiency and effectiveness of maintaining our current sub-locations around the United States. After careful review, we have decided to close sub-offices which are located at Eglin AFB, Florida, Knoxville, Tennessee, Ogden, Utah and Richland, Washington. These closings will result in greater flexibility in staffing jobs. We intend to continually review our need for our sub-offices and maintain only those which can demonstrate efficiency and effectiveness advantages.

--ADP Equipment

We have achieved many efficiencies in our audit and evaluation work by introducing and capitalizing on the microcomputer technology. We have automated virtually all of our word processing and spread sheet production and have made extensive use of database applications. We routinely pass text and data electronically and have automated much of our graphics output. These capabilities have enhanced our ability to respond quickly to the complex issues that we must address. During the past year, for example, our assessments of the "Black Monday" stock

market crash, Medicare and Social Security beneficiary programs, aviation safety, and trade and budget deficit reduction efforts demanded the type of complex analyses that could not have been performed in a reasonable timeframe without such automated resources.

We have developed a long range information resources plan which details GAO requirements for its administrative support and mission support systems and describes appropriate automated solutions to both. The Administrative Support Systems portion of our program, based on consolidation and use of off-the-shelf systems to the maximum extent possible and integration of common data and systems, is on schedule and within budget estimates. We selected the Department of Agriculture's National Finance Center (NFC) as our primary site for administrative processing. In fiscal year 1988, we established our supply system there. In early fiscal year 1989, we successfully moved our payroll/personnel system to that location. Later this year, we will bring up our property system, and we are in the process of developing an updated management information system which should be operational by October 1990.

Also, in response to a request by your committee in the report accompanying the fiscal year 1989 Legislative Branch Appropriation Bill, GAO has initiated a study of 3 legislative branch agencies to identify appropriate opportunities to

consolidate automated administrative support systems. We have completed our initial survey work and are now preparing a plan which will outline the leadership role GAO expects to play in encouraging system consolidation. We have generally found that there is opportunity for significant savings by sharing systems such as payroll, personnel, property, and supply, rather than each agency developing its own tailored systems to meet its own specific situation.

Our plans to enhance mission support processing call for use of a 3-tiered solution of our requirements: (1) Microcomputer work stations will be utilized to provide end users with flexible processing tools. (2) Shared-resource processors will allow us to provide networks linking whole work groups in Washington with regional offices and provide full office automation as well as local report processing services. (3) Access to timesharing service will continue to be available to provide for complex analyses of large data files with many records.

We submitted a letter to the Committee in January providing additional details on the proposed architecture needed to support our mission processing needs. We firmly believe that this architecture is the best solution for the future, and although it will require an initial resource investment, it will result in savings in time sharing costs in future years and lay the technological foundation for GAO's work for the Congress in the

1990's. Although we have begun efforts to modernize our mission related data processing, we still have a long way to go. It is essential for us to have a networking capability that will permit our auditors to collect and evaluate data, share information between regions and offices, draft reports and produce final products electronically.

For fiscal year 1990, we are requesting funding to move GAO closer to this networking goal, as well as our goal of acquiring 4,300 microcomputers by the end of fiscal year 1991. The acquisition of additional microcomputers will serve to further enhance staff efficiency and provide us with the requisite number needed to satisfy our low end processing needs. We will continue to test the shared-resource capability and further define our requirements during fiscal year 1990 to be ready to procure appropriate devices in 1991. With the appropriate number of microcomputers, proper networking and the necessary shared resource capability, we believe we will be able to meet our mission processing needs.

-- Increased Emphasis on Recruiting

The nature of our work not only requires modern electronic capabilities, but top quality staff as well. We have found that GAO can attract the best people, but as a government agency, we have to work very hard at our recruiting effort.

We have created a National Recruitment Program which uses GAO's senior managers as "campus executives" to foster long term relationships with colleges and universities capable of producing some of the finest people. Further, we are relying on modern recruiting techniques to attract the best people possible.

-- New Training Initiatives

In recognition of the need to make a strong commitment to the training and development of our employees in an environment of increasing work complexity and accelerating change, we established the GAO Training Institute (TI) during fiscal year 1988. An important phase of TI's training initiatives is the identification of executive and management training courses for improving technical skills and abilities. The direction of highly skilled, multidisciplinary teams requires technical training to enable executives and managers to ensure the quality of GAO's work by bringing into proper focus the ever-increasing complexity of government operations and public policy issues. To meet these challenges, TI is selecting courses at major universities, as well as designing courses for GAO's curriculum.

In addition, we adopted the requirement of the 1988 Government Auditing Standards that all audit and evaluation staff complete a minimum of 80 hours of continuing professional education every 2

years to ensure that GAO work is done by staff with the latest technical skills. TI will monitor the implementation of this new training initiative.

Through the Training Institute, we will continue to place strong emphasis on the identification, development, and delivery of the most appropriate courses needed for the continuous development of our staff's knowledge, skills and abilities.

-- Increasing Staff Motivation

We believe it is essential to be able to reward our excellent performers more than our average ones. The current civil service system does not permit this. We are effecting better means to reward our staff for job excellence. Following last year's discussion with relevant committees and staffs, GAO implemented the first phase of its Pay-for-Performance (PFP) system on June 16, 1988.

We are implementing our new pay system in a way which, we think, will ensure success. We still face some very real challenges--ensuring that our process for making the first year bonus decisions is fair and ensuring that our staff is properly trained to effectively implement the features of the new pay system. We have extensively briefed our managers and staff on the new system, and we are providing training that encompasses 5 areas:

(1) expectation setting, (2) feedback and coaching, (3) PFP implementation and change, (4) revisions to our appraisal systems, and (5) the new assessment process.

Greater rewards go hand-in-hand with higher expectations. We expect our senior managers to be expert in their respective issue areas and to represent GAO in testimony before the Congress and speak for GAO on national matters. Consistent with that philosophy, I have recently announced that we are revising the titles of associate directors to directors of their respective areas to bring them more in line with the extent of their responsibilities. The new titles reflect the nature of the positions. The changes also reflect the role of the Associate Director as the lead person for the agency in the particular area of responsibility. Also, we have revised the titles of the directors of the Accounting and Financial Management Division, the Information Management and Technology Division, and the Program Evaluation and Methodology Division to Assistant Comptroller General. These 3 executives direct our technical divisions and are now in parity with our program division heads whose titles had previously been changed. We have also reorganized the Office of the General Counsel to align our attorneys with the work being done by the program and technical divisions and thereby enhance each division's ability to respond to congressional requests more expeditiously.

-- Improving the Working Environment

Another key factor in enhancing our efficiency and effectiveness is improving the quality of life for our people. Congress helped us take a step in that direction with passage of the GAO Building Transfer Act which transferred custody and control of the GAO headquarters building from the Administrator of General Services to the Comptroller General in October. We are very pleased that this legislation passed. Our control of the building coupled with the authority to enter into a single coordinated contract for both asbestos removal and modernization should result in project completion in substantially less time and at substantially lower costs. In addition, the efficiency and productivity of GAO staff will be enhanced by the installation of proper ventilation, adequate electrical capacity and lighting, and efficiently designed workstations. While GSA had control of this project, it took 7 years to complete renovation of two and one-half floors of office space. With your approval of an amendment to GAO's appropriation language permitting the issuance of a multiyear contract for the repair, alteration and renovation of the GAO Building, we will be able to complete the renovation of the remaining four and one-half floors of office space before my term of office expires in 1996.

In addition, as part of providing a highly professional work environment, we are planning for the construction of day care and fitness centers in our headquarters building, and we are looking into ways of providing these services to our regional staffs.

GAO is requesting congressional approval to obligate \$5,564,000 from funds paid to GAO by BLS and Treasury for their use of space in the GAO Building. These funds are to be used to offset the cost of the operation, maintenance, repair, protection, and alteration of space in the GAO Building in accordance with the GAO Building Transfer Act. These funds are going to be required for proper operation and maintenance of this facility in fiscal year 1990.

We believe that providing a highly professional work environment with the equipment necessary for staff to do the best possible work is of the highest importance to attracting and maintaining a skilled and motivated staff. To properly integrate our work and improve timeliness and efficiency of our operations, all GAO employees in regional offices must have similar equipment and support capabilities as employees in the GAO Building. As regions are required to move due to expiring leases and other factors, those office environments are being upgraded as well.

INTOSAI Congress

An item that will not affect our 1990 appropriation request, but that has future year budget implications is the upcoming INTOSAI Congress. For nearly 20 years, GAO has been a member of the International Organization of Supreme Audit Institutions (INTOSAI), which is composed of national government audit offices of 147 nations. In April 1985 with the approval of the Congress, we notified INTOSAI of the U.S. Government's willingness to host for the first time the annual meeting of the INTOSAI governing board in 1991 and the INTOSAI Congress in 1992. Planning for the Congress began in fiscal year 1987 and will continue for the next 3 years. Our current estimate is that this INTOSAI Congress will cost in the range of \$2.5 to \$3 million due in part to the need to provide five-language translations for the delegates and other unique logistical requirements of an international conference including security services.

Conclusion

People working together is what enables GAO to contribute to major issues facing the Congress. People in headquarters, field offices, assigned to congressional committees, providing administrative support, and testifying before congressional committees produce products that GAO is proud of and which our principal customer, the Congress, can easily recognize. Our

fiscal year 1990 request is designed to provide the resources needed for our people to continue to contribute to the work of the Congress.

GAO is an organization that can deal with change and deal with it successfully. GAO has been able to change over the years and avoid stagnation, and we must always seek to move forward and attempt to increase our ability to do our work more economically, efficiently, and effectively.

We strongly believe that our record of accomplishment warrants the support you have given to us in the past. We hope that you will continue in the future to support a strong GAO comprised of well-qualified, highly motivated personnel equipped with modern audit and evaluation resources, working in a modern and efficient office environment.

This ends my formal statement, Mr. Chairman. I am pleased to have this opportunity to respond to your questions.