

REMARKS OF
DANIEL C. HARRIS, GROUP DIRECTOR,
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UNITED STATES GENERAL ACCOUNTING OFFICE
BEFORE THE
LEHIGH VALLEY CHAPTER OF THE
PLANNING EXECUTIVES INSTITUTE
THURSDAY, SEPTEMBER 20, 1979

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PLANNING AUDITS OF GOVERNMENT-WIDE ACTIVITIES

GOOD EVENING FRIENDS OF THE LEHIGH VALLEY:



IT IS INDEED A PLEASURE TO APPEAR BEFORE YOU TO
TALK ABOUT PLANNING--A SUBJECT WHICH IS IMPORTANT TO ALL
OF US IN CONDUCTING OUR BUSINESSES, AS WELL AS OUR PERSONAL
LIVES. WITH TODAY'S RAMPANT INFLATION AND SHORTAGES OF
GASOLINE AND EVERYTHING ELSE, WE HAVE TO BE MORE CONCERNED
THAN EVER WITH PLANNING THE USE OF OUR PERSONAL RESOURCES
JUST TO SURVIVE.

THIS EVENING, HOWEVER, I WOULD LIKE TO SPEAK TO YOU
ABOUT PLANNING IN THE GENERAL ACCOUNTING OFFICE--OR, AS WE
ARE OFTEN REFERRED, THE GAO, THE GOVERNMENT ACCOUNTING OFFICE,
THE GOVERNMENT'S WATCHDOG AGENCY, AND EVEN, MISTAKENLY, THE
GENERAL SERVICES ADMINISTRATION. BUT, BEFORE I PROCEED, LET
ME BRIEFLY TELL YOU WHO WE ARE AND WHAT WE DO.

GAO: ITS PURPOSE AND ACTIVITIES

THE GAO, WHICH IS HEADED BY THE COMPTROLLER GENERAL OF
THE UNITED STATES, WAS ESTABLISHED BY THE BUDGET AND ACCOUNTING
ACT OF 1921 TO STRENGTHEN CONGRESSIONAL CONTROL OVER THE PUBLIC
PURSE. THE CONGRESS RECOGNIZED THAT OUR FORM OF GOVERNMENT,

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WITH ITS SEPARATION OF POWERS, NEEDED AN ORGANIZATION THAT COULD PROVIDE UNBIASED INFORMATION ABOUT EXECUTIVE BRANCH ACTIVITIES. THUS, IT ESTABLISHED OUR OFFICE AS AN INDEPENDENT, NONPARTISAN AGENCY IN THE LEGISLATIVE BRANCH OF THE FEDERAL GOVERNMENT.

OVER THE PAST NEARLY 60 YEARS, THE NEEDS OF THE CONGRESS HAVE EXPANDED ENORMOUSLY BECAUSE OF THE INCREASING SIZE AND COMPLEXITY OF OUR NATION AND GOVERNMENT. ACCORDINGLY, GAO'S OVERALL RESPONSIBILITIES WERE EXPANDED, PARTICULARLY WITH THE PASSING OF THE LEGISLATIVE REORGANIZATION ACT OF 1970 AND THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974. THESE ACTS EMPHASIZED THE IMPORTANCE OF GAO AS AN EVALUATOR OF FEDERAL PROGRAMS AND ACTIVITIES. DESPITE GAO'S CHANGING ROLE, HOWEVER, ITS MAJOR FUNCTIONS HAVE REMAINED THE SAME:

- TO ASSIST THE CONGRESS IN IT'S LEGISLATIVE AND OVERSIGHT ACTIVITIES;
- TO RENDER LEGAL OPINIONS;
- TO AUDIT AND EVALUATE THE PROGRAMS, ACTIVITIES AND FINANCIAL OPERATIONS OF FEDERAL DEPARTMENTS AND AGENCIES;
- TO PRESCRIBE ACCOUNTING PRINCIPLES AND STANDARDS, AND HELP IMPROVE THE FINANCIAL MANAGEMENT SYSTEMS OF FEDERAL AGENCIES; AND FINALLY,
- TO SETTLE CLAIMS AGAINST AND COLLECT DEBTS OWED TO THE FEDERAL GOVERNMENT.

GAO'S OBJECTIVES CANNOT BE SEPARATED FROM THE NEEDS OF THE CONGRESS FOR INFORMATION AND ADVICE AS IT CARRIES OUT ITS

LEGISLATIVE AND OVERSIGHT RESPONSIBILITIES. THUS, WHILE MUCH OF OUR WORK IS SELF-INITIATED, WE VIEW ALL OF OUR WORK AS ASSISTING THE CONGRESS. IN THIS REGARD, WE CONTINUOUSLY TRY TO DETERMINE CONGRESSIONAL NEEDS, THROUGH DAILY CONTACTS WITH CONGRESSIONAL MEMBERS AND STAFFS, SO THAT WE CAN GIVE THEM TIMELY INFORMATION FOR USE IN IMPROVING GOVERNMENT OPERATIONS. THE OVERRIDING OBJECTIVE OF OUR WORK IS TO CONSTRUCTIVELY CONTRIBUTE TO GREATER ECONOMY, EFFICIENCY, AND EFFECTIVENESS IN GOVERNMENT.

GAO'S WORKLOAD CONTINUES TO GROW. OVER THE PAST DECADE THE PROPORTION OF OUR WORK DEVOTED TO DIRECTLY ASSISTING THE CONGRESS HAS INCREASED ALMOST FIVE-FOLD. THIS INCLUDES

- ANSWERING REQUESTS BY CONGRESSIONAL COMMITTEES AND MEMBERS FOR AUDITS OR SPECIAL STUDIES,
- DOING SPECIFIC ONE-TIME STUDIES DIRECTED BY LAW,
- TESTIFYING AT CONGRESSIONAL HEARINGS,
- ASSIGNING STAFF TO CONGRESSIONAL COMMITTEES, AND
- PROVIDING LEGAL OPINIONS AND COMMENTING ON LEGISLATIVE PROPOSALS.

TO MEET THE MANY NEEDS OF CONGRESS, GAO HAS ABOUT 5,300 EMPLOYEES, INCLUDING ABOUT 4,200 PROFESSIONALS. THEY ARE LOCATED AT THE HEADQUARTERS OFFICE AND ABOUT 60 AUDIT SITES IN THE WASHINGTON, D.C. AREA; AT 15 REGIONAL OFFICES IN THE UNITED STATES; AND AT 4 BRANCH OFFICES IN BANGKOK, FRANKFURT, HONOLULU, AND PANAMA CITY. IN FISCAL YEAR 1978, TO GIVE YOU AN EXAMPLE, GAO HAD ABOUT 1,500 AUDITS AND OTHER ASSIGNMENTS UNDERWAY AT

ANY ONE TIME, ISSUED 1,136 AUDIT REPORTS AND STUDIES,
AND TESTIFIED BEFORE CONGRESSIONAL COMMITTEES ON 164
OCCASIONS.

LONG- AND SHORT-RANGE PLANNING IN GAO

WITH THE GROWING COMPLEXITY OF GOVERNMENT AND DIVERSE RANGE OF PROGRAMS WHICH HAS SURFACED IN RECENT YEARS, NEVER BEFORE HAS PLANNING BEEN MORE IMPORTANT IN GAO. IF WE WERE TO RESPOND TO ALL REQUESTS FROM CONGRESS AND THE PUBLIC, OUR STAFF WOULD HAVE TO BE MULTIPLIED MANY TIMES. ON THE CONTRARY, IN KEEPING WITH THE TREND TOWARD REDUCED GOVERNMENT SPENDING, GAO'S STAFF HAS REMAINED RELATIVELY STABLE IN RECENT YEARS. THUS, IN THE LAST SEVERAL YEARS, WE HAVE PLACED MUCH EMPHASIS ON IMPROVING OUR STRATEGIC PROGRAM PLANNING AS WELL AS OUR PLANNING OF INDIVIDUAL AUDITS OR STUDIES.

I WOULD NOW LIKE TO DISCUSS HOW WE PLAN IN GAO. IN ORDER TO ILLUSTRATE THE PROCESS, I WILL PERIODICALLY REFER TO THIS REPORT, "WHO'S NOT FILING INCOME TAX RETURNS? IRS NEEDS BETTER WAYS TO FIND THEM AND COLLECT THEIR TAXES" (GGD-79-69, JULY 11, 1979) WHICH OUR GROUP AT THE INTERNAL REVENUE SERVICE RECENTLY ISSUED.

STRATEGIC PROGRAM PLANNING

IN ORDER TO MEET THE DEMANDS OF GROWING GOVERNMENT, GAO REORGANIZED IN 1972, EXPANDING FROM TWO OPERATING DIVISIONS --CIVIL AND DEFENSE--TO ABOUT 12 DIVISIONS RESPONSIBLE FOR SPECIFIC FUNCTIONS OR PROGRAMS. THIS REORGANIZATION ALLOWED

US TO CUT ACROSS FEDERAL ORGANIZATIONAL LINES TO ADDRESS
PRESSING NATIONAL ISSUES AND CONCERNS WHILE AT THE SAME TIME
MAINTAINING COGNIZANCE OF
SPECIFIC GOVERNMENT AGENCIES.

THE REORGANIZATION LED TO THE CREATION OF AN "ISSUE AREA"
PLANNING AND PROGRAMMING SYSTEM IN 1975 WHICH WOULD BETTER
INSURE THAT GOVERNMENT-WIDE ISSUES OF CURRENT NATIONAL
IMPORTANCE OR ISSUES IN WHICH THE GOVERNMENT HAS AN OBVIOUS
STAKE ARE CONTINUOUSLY IDENTIFIED AND REVIEWED FOR AUDIT
COVERAGE.

ISSUE AREAS, WHICH ARE THE KEYSTONES TO THE PLANNING
SYSTEM, ARE SELECTED BASED ON SEVERAL CONSIDERATIONS.
THESE INCLUDE: (1) THE EXTENT TO WHICH THE ISSUE, SUCH AS
ENERGY, REPRESENTS A SIGNIFICANT OBSTACLE TO THE NATION'S
PROGRESS OR A SERIOUS THREAT TO THE WELL BEING OF ITS
CITIZENS, (2) THE DEGREE OF IMPACT ON THE POPULATION OR ON
THE GOVERNMENTAL OR ECONOMICAL PROCESS, (3) THE POTENTIAL FOR
SIGNIFICANT CONTRIBUTION BY GAO, AND (4) THE AMOUNT OF
CONGRESSIONAL INTEREST.

GAO CURRENTLY HAS 35 ISSUE AREAS COVERING A BROAD
SPECTRUM OF GOVERNMENT ACTIVITIES. SOME, SUCH AS FOOD,
ENERGY, HEALTH AND ENVIRONMENT, DEAL WITH WORLD PROBLEMS.
SOME, SUCH AS CRIME, HOUSING, AND TRANSPORTATION, DEAL WITH
DOMESTIC PROBLEMS. OTHERS, SUCH AS INCOME SECURITY AND
CONSUMER PROTECTION, DEAL WITH INDIVIDUAL CONCERNS. STILL

OTHERS DEAL WITH THE KEY MANAGEMENT FUNCTIONS OF THE GOVERNMENT, SUCH AS ACCOUNTING AND FINANCIAL REPORTING, INTERNAL AUDITING, AND PROCURMENT. THESE ISSUE AREAS, OF COURSE, ARE SUBJECT TO CHANGE.

EACH OF THE CURRENTLY APPROVED ISSUE AREAS IS ASSIGNED TO ONE OF GAO'S 12 OPERATING DIVISIONS, WHICH BECOMES THE LEAD DIVISION FOR THAT ISSUE. THE LEAD DIVISION IS RESPONSIBLE FOR DEVELOPING A PROGRAM PLAN ABOUT EVERY 18 MONTHS WHICH SETS THE OBJECTIVES AND PROVIDES GAO-WIDE GUIDANCE FOR ANY AUDITS IN THE ISSUE AREA. THAT DIVISION IS ALSO GENERALLY RESPONSIBLE FOR CONDUCTING AUDITS OF THOSE AGENCIES AND PROGRAMS MOST DIRECTLY RELATED TO THE ISSUE AREA.

FOR EXAMPLE, THE TAX ADMINISTRATION ISSUE AREA, FOR WHICH I SHARE RESPONSIBILITY, IS LED BY THE GENERAL GOVERNMENT DIVISION. THE DIVISION HAS RESPONSIBILITY FOR VARIOUS FEDERAL AGENCIES, INCLUDING THE TREASURY DEPARTMENT, THE INTERNAL REVENUE SERVICE, AND THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS, ALL OF WHICH HAVE SOME TAX RELATED FUNCTIONS.

DEVELOPING THE ISSUE AREA PLAN IS A RIGOROUS PROCESS WHICH INVOLVES OBTAINING ADVICE FROM DIVISION AND REGIONAL OFFICE STAFF, CONGRESSIONAL STAFF, AND OUTSIDE EXPERTS AND CONSULTANTS. THE PROCESS INVOLVES VARIOUS STEPS, WHICH BY THE WAY WE WILL BE GOING THROUGH IN THE NEXT COUPLE OF MONTHS IN REVISING THE PLAN FOR THE TAX ADMINISTRATION AREA.

IN DEVELOPING AN ISSUE AREA PROGRAM PLAN
THE FIRST STEP IS TO CLEARLY DEFINE THE ISSUE AREA--WHAT

IS IT? WHAT DOES IT INCLUDE? WHAT ARE THE MAJOR CONCERNS? AND WHAT OBJECTIVES AND SUB-AREAS SHOULD WE FOCUS ON? FOR EXAMPLE, ONE OF THE BASIC OBJECTIVES OF OUR WORK IN THE TAX ADMINISTRATION AREA IS TO PROVIDE THE CONGRESS AND THE PUBLIC WITH OBJECTIVE, RELIABLE INFORMATION ABOUT THE WAY THE TAX LAWS ARE ADMINISTERED. ANOTHER OBJECTIVE IS TO IMPROVE THE EFFICIENCY, EFFECTIVENESS, AND EQUITY OF TAX ADMINISTRATION ACTIVITIES. IN FURTHER DEFINING OUR WORK, WE HAVE IDENTIFIED FOUR BASIC SUB-AREAS OF TAX ADMINISTRATION. THEY ARE (1) TAXPAYER COMPLIANCE WITH THE TAX LAWS, (2) COLLECTION OF TAXES, (3) SERVICE TO THE TAXPAYER, AND (4) IRS' INTERNAL MANAGEMENT.

FROM THE GENERAL DESCRIPTION OF THE ISSUE AREA, WE THEN NARROW THE FOCUS OF THE PLAN TO THOSE PARTICULAR PROBLEMS, CONCERNS, AND QUESTIONS WHICH GAO CAN AND SHOULD ADDRESS WITHIN THE AREA. THESE ARE CALLED LINES OF EFFORT, WHICH ARE ARRANGED IN PRIORITY AND WHICH, GIVEN AVAILABLE RESOURCES, SHOULD BE ADDRESSED DURING THE PERIOD COVERED BY THE PLAN. THE PLAN THEN DISCUSSES EACH LINE OF EFFORT AND THE WORK NEEDED TO ACCOMPLISH THOSE OBJECTIVES. THE GUIDANCE PROVIDED IN A PRIORITY LINE OF EFFORT SHOULD LEAD THE STAFF RESPONSIBLE FOR THE AREAS TO PERFORM THE MOST IMPORTANT WORK. IN THIS REGARD, EACH LINE OF EFFORT WOULD CONTAIN A SERIES OF PROPOSED JOBS WHICH ARE EITHER UNDERWAY OR PLANNED TO START DURING THE PERIOD COVERED BY THE PLAN.

TO ILLUSTRATE, OUR CURRENT PLAN IN THE TAX ADMINISTRATION AREA CONTAINS 16 LINES OF EFFORT, 8 OF WHICH ARE CONSIDERED PRIORITIES. THE LINES OF EFFORT COVER SUCH SUBJECTS AS IRS' CRIMINAL ENFORCEMENT ACTIVITIES, THE QUALITY OF IRS' AUDITS, IRS' EFFORTS TO COLLECT DELINQUENT TAXES, AND IRS' EFFORTS TO IDENTIFY NONFILERS AND UNDERREPORTERS OF INCOME TAXES.

THE LATTER LINE OF EFFORT, FOR EXAMPLE, RECOGNIZES THE IMPORTANCE OF MAINTAINING THE CREDIBILITY OF OUR VOLUNTARY TAX SYSTEM AND, THUS, OF IRS' EFFORTS TO DETECT AND PURSUE PEOPLE WHO DEFY THE SYSTEM BY EITHER NOT FILING THEIR INCOME TAXES OR UNDERREPORTING THEIR TRUE INCOME. IN FURTHER BREAKING DOWN THIS LINE OF EFFORT, WE IDENTIFIED INDIVIDUAL NONFILERS FOR SPECIFIC AUDIT BECAUSE PROPORTIONATELY MORE OF THEM HAVE TO FILE INCOME TAX RETURNS EACH YEAR THAN ANY OTHER GROUP. THIS AUDIT, WHICH WAS JUST COMPLETED, WAS A SIGNIFICANT JOB IDENTIFIED FOR COMPLETION IN OUR LAST PROGRAM PLAN. WE ALSO IDENTIFIED INDIVIDUAL UNDERREPORTERS AS A TARGET FOR AUDIT AND ARE CURRENTLY IN THE PROCESS OF DOING WORK IN THAT AREA.

ANOTHER STEP RECENTLY ADDED TO THE PROGRAM PLANNING PROCESS IS THE ACCOUNTABILITY MODEL. THIS IS A METHOD WHICH HAS BEEN DEVELOPED TO ASSESS THE LEAD DIVISION'S ACCOMPLISHMENTS UNDER AN APPROVED PLAN. IT RELATES OUTPUT IN TERMS OF REPORTS, TESTIMONY, AND CONGRESSIONAL BRIEFINGS TO THE OBJECTIVE OF EACH PRIORITY LINE OF EFFORT AND PROVIDES A DESCRIPTION OF WHAT IS LEFT TO BE DONE UNDER EACH.

FOR EXAMPLE, IN DEVELOPING THE ACCOUNTABILITY MODEL FOR OUR REVISED PLAN, WE WILL BE ABLE TO SAY THAT OUR REVIEW OF IRS' INDIVIDUAL NONFILER EFFORTS LED TO A REPORT CONTAINING SEVERAL MAJOR RECOMMENDATIONS FOR IMPROVING THE WAY IRS DETECTS AND PURSUES NONFILERS. FURTHERMORE, THE REPORT LED TO IRS' RECOGNIZING THAT IT MAY HAVE TO GIVE MORE ATTENTION TO NONFILERS AND UNDERREPORTERS THAN IT HAS IN THE PAST WHEN IT FOCUSED PRINCIPALLY ON AUDITING PERSONS WHO FILE THEIR INCOME TAXES.

ONCE PREPARED AND APPROVED BY THE LEAD DIVISION THE PROGRAM PLAN IS REVIEWED BY OUR OFFICE OF PROGRAM PLANNING AND FINALLY A COMMITTEE COMPOSED OF TOP LEVEL OFFICIALS, INCLUDING THE COMPTROLLER GENERAL.

THE SUCCESS OF OUR ISSUE AREA PLANNING SYSTEM IS MEASURED BY THE EXTENT TO WHICH IT ALLOWS US TO MAKE SURE THAT THE INDIVIDUAL AUDITS WE DECIDE TO CONDUCT ARE THE MOST IMPORTANT ONES. THIS LEADS TO HOW IS THE SHORT-RUN WE SELECT AND PLAN INDIVIDUAL AUDITS OR STUDIES.

PLANNING INDIVIDUAL AUDITS

ASIDE FROM SPECIFIC WORK REQUESTS RECEIVED FROM CONGRESSIONAL COMMITTEES AND MEMBERS, EACH OPERATING DIVISION IS RESPONSIBLE FOR GENERATING SELF-INITIATED AUDITS. THESE JOBS, WHICH ACCOUNT FOR NEARLY TWO-THIRDS OF ALL GAO'S RESOURCES, SHOULD CONTRIBUTE DIRECTLY TOWARD THE ACHIEVEMENT OF ISSUE AREA PLAN OBJECTIVES.

TO MAKE SURE THEY DO, PROPOSED JOBS ARE FIRST REVIEWED BY GROUP DIRECTORS, LIKE MYSELF, AND THEN BY THE APPROPRIATE DIVISION DIRECTOR'S OFFICE. GAO'S OFFICE OF PROGRAM PLANNING THEN REVIEWS ALL JOBS AUTHORIZED BY A DIVISION BEFORE SIGNIFICANT RESOURCES ARE EXPENDED. THIS IS TO MAKE SURE THAT THE JOBS ARE BUDGETED TO THE APPROPRIATE ISSUE AREA AND THAT THEY CONTRIBUTE TOWARD ISSUE AREA OBJECTIVES. FINALLY, A TOP-LEVEL REVIEW GROUP ESTABLISHED BY THE COMPTROLLER GENERAL REVIEWS AND DISCUSSES SELECTED ASSIGNMENTS REFERRED TO IT BY THE OFFICE OF PROGRAMMING PLANNING. AS AN EXAMPLE, OUR AUDIT OF IRS' EFFORTS TO DETECT AND PURSUE INDIVIDUAL NONFILERS UNDERWENT RIGOROUS REVIEW AT ALL LEVELS INCLUDING THE TOP LEVEL BECAUSE OF ITS SENSITIVITY, COMPLEXITY, AND SCOPE.

ONCE IT IS DECIDED TO START A PARTICULAR AUDIT, IT GENERALLY GOES THROUGH THREE BASIC STAGES--SURVEY, REVIEW, AND REPORTING. DURING THE SURVEY STAGE, WHICH IS USUALLY PERFORMED AT THE AGENCY HEADQUARTERS AND AT LEAST ONE FIELD OFFICE, WE OBTAIN AND ANALYZE GENERAL INFORMATION TO IDENTIFY POTENTIAL PROBLEMS AND ISSUES FOR DETAILED EXAMINATION. DURING THE REVIEW STAGE, WE EXPAND OUR WORK TO OTHER AGENCY FIELD OFFICES TO TEST AND CONFIRM OUR PRELIMINARY FINDINGS AND CONCLUSIONS. FINALLY, WE REPORT THE RESULTS OF OUR AUDIT WORK, INCLUDING RECOMMENDATIONS FOR IMPROVEMENT TO THE CONGRESS OR HEAD OF THE AGENCY.

WITHIN THIS BASIC JOB STRUCTURE, GAO RECENTLY DEVELOPED AND IS TESTING A JOB PLANNING SYSTEM WHICH EMBRACES THOSE CONCEPTS AND TECHNIQUES WHICH HAVE PROVEN TO BE THE MOST EFFECTIVE OVER THE YEARS WITHIN GAO AS WELL AS SIMILAR ORGANIZATIONS. THE SYSTEM, KNOWN AS THE PROJECT PLANNING AND MANAGEMENT APPROACH, IS DESIGNED TO ASSIST THE AUDIT TEAM DIRECTOR AND TEAM LEADER IN MANAGING AND CONTROLLING THE JOB AND PRODUCING A TIMELY AND QUALITY AUDIT PRODUCT WITH A MINIMAL INVESTMENT OF RESOURCES. THE APPROACH EMPHASIZES EVALUATING THE WORTH OF AN AUDIT BEFORE IT IS STARTED OR PROCEEDS TO THE NEXT STAGE BY ANTICIPATING MAJOR UNKNOWNNS AND MAKING KEY DECISIONS BEFORE RESOURCES ARE COMMITTED.

THE JOB PLANNING APPROACH HAS FIVE CONSECUTIVE KEY PHASES: PROPOSAL, SCOPING, PLANNING, IMPLEMENTATION, AND EVALUATION. EACH PHASE, WHICH I WILL DISCUSS SHORTLY, REPRESENTS A SPECIFIC STAGE IN AN AUDIT, WITH SPECIFIC OBJECTIVES, ACTIVITIES, AND DECISIONS. HOWEVER, THE AMOUNT OF TIME AND EFFORT DEVOTED TO EACH PHASE DEPENDS ON THE COMPLEXITY OF EACH SPECIFIC JOB. FOR EXAMPLE, A VERY SPECIFIC CONGRESSIONAL REQUEST MAY REQUIRE VERY LITTLE TIME, PARTICULARLY IN THE EARLY PHASES; WHILE A BROADER ASSIGNMENT, SUCH AS OUR REVIEW OF INCOME TAX NONFILERS, MAY REQUIRE MUCH MORE TIME IN EACH PHASE.

WITHIN EACH OF THE JOB PLANNING PHASES, WE ADDRESS FIVE DECISION COMPONENTS. THE FIRST RELATES TO THE ISSUES TO BE

DEVELOPED DURING THE JOB, AND WHAT CHANGES WE EXPECT TO ACHIEVE BY ADDRESSING THEM. THE SECOND RELATES TO THE CUSTOMER OR WHO WE EXPECT TO USE THE JOB RESULTS, AND WHAT ARE THEIR REQUIREMENTS. AN EXAMPLE OF A CUSTOMER WOULD BE A CONGRESSIONAL COMMITTEE. THE THIRD DECISION RELATES TO TIMING OR WHEN THE CUSTOMER NEEDS THE PRODUCT AND WHEN IT WILL HAVE MAXIMUM IMPACT. THE FOURTH RELATES TO THE COST AND VALUE OF THE JOB. FINALLY, THE FIFTH DECISION RELATES TO THE PRODUCT ITSELF, THAT IS HOW WE WILL COMMUNICATE THE RESULTS OF OUR REVIEW. THIS COULD BE DONE BY FORMAL REPORT, TESTIMONY, OR A BRIEFING.

QUESTIONS ABOUT EACH OF THESE DECISION COMPONENTS ARE ANSWERED AT THE END OF EACH PHASE OF THE JOB, SO THAT THE TEAM DIRECTOR, TEAM LEADER, AND TOP-LEVEL MANAGEMENT WILL HAVE A BASIS FOR DECIDING WHETHER AN ASSIGNMENT SHOULD PROCEED AND AT WHAT COST AND SCOPE. OBVIOUSLY, THE INFORMATION BEHIND THESE DECISIONS BECOMES MORE CERTAIN THE FURTHER THE ASSIGNMENT MOVES ALONG.

I NOW WOULD LIKE TO QUICKLY DISCUSS EACH OF THE JOB PLANNING PHASES UNDER THE PROJECT PLANNING AND MANAGEMENT APPROACH USING, AGAIN, AS AN EXAMPLE, OUR AUDIT OF INCOME TAX NONFILERS.

THE OBJECTIVE OF THE PROPOSAL PHASE OF A JOB IS TO DEVELOP, WITH MINIMAL STAFF DAYS, BACKGROUND INFORMATION AND JUSTIFICATION FOR DOING THE JOB. THIS PHASE IS MERELY AN EXTENTION OF THE STRATEGIC PROGRAM PLANNING PROCESS,

WHICH I DISCUSSED EARLIER. DURING THIS PHASE, WE IDENTIFY THE POTENTIAL ISSUES WHICH CAN AND SHOULD BE ADDRESSED AND MAKE VARIOUS CONTACTS TO DETERMINE WHO WOULD HAVE USE FOR THE RESULTING PRODUCT.

FOR EXAMPLE, ON THE NONFILERS' JOB IT WAS AT THIS STAGE THAT WE DETERMINED THERE WAS A NEED TO ESTIMATE THE SIZE AND CHARACTERISTICS OF THE NONFILER POPULATION. WE ALSO DECIDED THAT WE NEEDED TO EXAMINE HOW IRS SELECTS POTENTIAL NONFILERS FOR INVESTIGATION AND HOW IT ACTUALLY GOES ABOUT INVESTIGATING THEM. WE ALSO DECIDED THAT THE ISSUE OF NONFILING WAS SIGNIFICANT ENOUGH TO DESERVE THE ATTENTION OF THE CONGRESS-- OUR CUSTOMER.

THE OBJECTIVE OF THE SCOPING PHASE IS TO GATHER ENOUGH INFORMATION TO ESTABLISH THE IDENTIFIED ISSUES, SUBSTANTIATE KEY ASSUMPTIONS, DETERMINE THE COMPLEXITY OF THE PROPOSED JOB AND THE AVAILABILITY OF THE INFORMATION NECESSARY TO SUPPORT THE ISSUES, AND EVALUATE ALTERNATIVE APPROACHES WITH RESPECT TO THE SCOPING AND TIMING OF THE ASSIGNMENT. DURING THIS PHASE, MORE EMPHASIS IS PLACED ON GATHERING SUFFICIENT INFORMATION WITH WHICH TO DECIDE WHETHER OR NOT THE JOB IS FEASIBLE AND WORTHWHILE. THE INFORMATION WILL THEN HELP THE TEAM DIRECTOR AND TEAM LEADER TO MAKE MEANINGFUL DECISIONS ON JOB STRATEGY, WORK LOCATIONS, AND TECHNIQUES; ^{AND} ~~7~~ PROVIDE A BETTER BASIS FOR PLANNING DETAILED WORK.

FOR EXAMPLE, ON THE NONFILERS' JOB, IT WAS IN THIS PHASE THAT WE DECIDED, WITH THE ASSISTANCE OF OUR SYSTEMS ANALYSIS EXPERTS, THAT IT WAS FEASIBLE TO ESTIMATE AND ANALYZE THE CHARACTERISTICS OF NONFILERS, AND TO DEVELOP A PREDICTIVE MODEL FOR USE BY IRS IN SELECTING POTENTIAL NONFILERS FOR INVESTIGATION. WE ALSO IDENTIFIED THE UNIVERSE OF PERSONS INVESTIGATED FOR NONFILING IN FISCAL YEAR 1975 BY IRS AND DETERMINED HOW MANY NATIONWIDE WE WOULD HAVE TO SAMPLE TO ADEQUATELY ASSESS IRS' PROGRAM. WE ALSO TEST REVIEWED SOME INVESTIGATIVE FILES AND DECIDED WHICH LOCATIONS WE NEEDED TO COVER TO DO AN ADEQUATE JOB. IN CONSIDERING SEVERAL ALTERNATIVES, WE DECIDED IT WAS NECESSARY TO ESTIMATE AND ANALYZE THE NONFILERS' POPULATION AND TO DEVELOP A PREDICTIVE MODEL, EVEN THOUGH IT WOULD TAKE MORE TIME AND RESOURCES. BOTH ARE ESSENTIAL TO AN EFFECTIVE PROGRAM FOR DETECTING AND PURSUING NONFILERS, AND IRS HAD NOT DONE EITHER.

THE PLANNING PHASE OF THE PROJECT PLANNING AND MANAGEMENT APPROACH DETAILS HOW WE WILL ACCOMPLISH JOB OBJECTIVES BY ANALYZING THE WORK TO BE DONE, THE RESOURCE REQUIREMENTS AND THE SCHEDULING. IT IS DURING THIS PHASE THAT WE ESTABLISH CLEAR-CUT OBJECTIVES, ORGANIZE AND SEQUENCE THE WORK, AND ESTABLISH THE ROLES AND RESPONSIBILITIES OF THE TEAM MEMBERS.

FOR EXAMPLE, IT WAS DURING THIS PHASE, THAT WE DEVELOPED OUR AUDIT PROGRAM FOR THE NONFILERS JOB AND LAID OUT THE SPECIFIC TASKS NEEDED TO DEVELOP EACH OF THE ISSUES. WE ALLOCATED THE WORK AMONG THE FIVE REGIONAL OFFICES THEN ASSIGNED TO THE JOB, AS WELL AS TO THE SYSTEMS ANALYSIS STAFF. THE ASSIGNMENT MILESTONES FOR COMPLETING WORK AND DEVELOPING A REPORT WERE ALSO ESTABLISHED DURING THIS PHASE BASED ON ESTIMATES OF HOW LONG IT WOULD TAKE TO DO EACH MAJOR TASK.

THE IMPLEMENTATION PHASE IS THE DOING PART OF A JOB. THIS PHASE IS USED TO MONITOR AND CONTROL JOB PROGRESS, DEAL WITH AND ANTICIPATE PROBLEMS, AND MAKE NECESSARY CHANGES IN THE SCOPE AND DIRECTION OF THE JOB. DURING THIS PHASE, THROUGH VISITS TO THE JOB SITES, TEAM CONFERENCES, AND A REVIEW OF STATUS REPORTS, THE TEAM DIRECTOR AND TEAM LEADER CONTINUOUSLY ADDRESS THE FIVE MAJOR DECISION COMPONENTS DISCUSSED EARLIER.

--IN LIGHT OF CURRENT INFORMATION, ARE THE ISSUES STILL PROPERLY DEFINED? WHAT ADJUSTMENTS ARE NEEDED?

--CAN WE STILL MEET THE CUSTOMERS NEEDS?

--WILL WE BE ABLE TO COMMUNICATE THE RESULTS ON SCHEDULE? IF NOT, CAN WE AND SHOULD WE CHANGE THE SCOPE OF THE JOB TO MEET THE DATE?

--HAVE WE TAKEN APPROPRIATE ACTION TO ASSURE THE ASSIGNMENT IS COMPLETED, TO THE EXTENT POSSIBLE, WITHIN THE COST ESTIMATES?

--IS THE PROPOSED METHOD FOR COMMUNICATING JOB RESULTS
STILL APPROPRIATE?

FOR EXAMPLE, IT WAS DURING THE IMPLEMENTATION PHASE ON
THE NONFILERS' JOB THAT WE DECIDED IT WOULD TAKE LONGER THAN
ORIGINALLY ANTICIPATED TO REVIEW INVESTIGATIVE FILES AND GET
ANSWERS FROM IRS OFFICIALS. THUS, SOME APPROPRIATE
ADJUSTMENTS HAD TO BE MADE IN THE JOB SCHEDULE. WE ALSO
DEVELOPED THE REPORT OUTLINE AND CLEARLY DEFINED HOW WE
WERE GOING TO PRESENT THE ISSUES. IN ADDITION, WE MET
PERIODICALLY WITH THE STAFF OF THE HOUSE WAYS AND MEANS
SUBCOMMITTEE ON OVERSIGHT WHICH HAD BECOME VERY INTERESTED
IN THE SUBJECT OF NONFILING AND UNDERREPORTING. THE
SUBCOMMITTEE WAS PLANNING HEARINGS ON THE SUBTERRANEAN
ECONOMY AT WHICH THEY WANTED US TO TESTIFY, AND THE
STAFF PROVIDED UN NUMEROUS QUESTIONS THAT THEY WANTED
US TO ADDRESS IN THE REPORT AND/OR TESTIMONY. THUS, WE
HAD TO MAKE ADJUSTMENTS IN THE JOB SCHEDULE.

BY THE END OF THE IMPLEMENTATION PHASE, THE AUDIT TEAM
HAS DEVELOPED AND COMMUNICATED THE ISSUES AND THE JOB IS
COMPLETED. HOPEFULLY THE NEEDS OF THE CUSTOMER HAVE BEEN
MET BOTH IN TERMS OF THE TIMELINESS AND QUALITY OF THE
PRODUCT. IN THE CASE OF THE NONFILERS JOB, WHILE SOME
ADDITIONAL RESOURCES AND TIME WERE REQUIRED, THE IMPACT
WAS GREATER THAN ANTICIPATED. THE REPORT HAS GENERATED
MUCH DISCUSSION IN THE CONGRESS AND THE NEWS MEDIA NOT ONLY

ON NONFILING, BUT ALSO UNDERREPORTING AND THE ENTIRE
SUBTERRANEAN ECONOMY ISSUE. IT HAD ALSO SPURNED IRS, AS WELL
AS CERTAIN CONGRESSIONAL COMMITTEES, TO GIVE ATTENTION TO A
VERY SERIOUS PROBLEM.

THE FINAL PHASE IN OUR OVERALL JOB PLANNING SYSTEM IS
EVALUATION, THE OBJECTIVES OF WHICH ARE TO ASSESS THE RESULTS
OF THE JOB AND THE PERFORMANCE OF THE TEAM MEMBERS AS
MEASURED AGAINST EXPECTATIONS SET FORTH IN THE PLAN. THE
MOST IMPORTANT OBJECTIVE OF THIS PHASE, HOWEVER, IS TO
PROVIDE FEEDBACK FOR IMPROVING FUTURE JOB PLANS AND FURTHERING
STAFF DEVELOPMENT.

SINCE OUR REPORT ON NONFILERS WAS JUST ISSUED IN JULY AND
TESTIMONY WAS GIVEN AS RECENTLY AS TWO WEEKS AGO, WE ARE
PRESENTLY GOING THROUGH THE EVALUATION PHASE ON THAT AUDIT.
IT IS DURING THAT PHASE, THAT WE FORMALLY WILL BE DETERMINING
WHETHER THE JOB GOALS AND ANTICIPATED IMPACT, WERE ACHIEVED.
WE WILL ALSO BE APPRAISING AND COUNSELING TEAM MEMBERS AND
PROVIDING GAO MANAGEMENT WITH INPUT WHICH WILL HELP ENABLE IT
TO FULFILL ITS STAFF APPRAISAL, CAREER COUNSELING, AND STAFF
DEVELOPMENT RESPONSIBILITIES.

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I HOPE I HAVE BEEN ABLE TO GIVE YOU SOME IDEA AS
TO HOW WE PLAN AND APPROACH AUDITS IN GAO. PLANNING IS
VERY IMPORTANT IN GAO AND WE ARE CONSTANTLY TRYING TO
IMPROVE THE STATE OF THE ART. MUCH HAS BEEN DONE IN

THE LAST SEVERAL YEARS. HOPEFULLY, YOU WILL FIND SOME OF THE PRINCIPLES USEFUL TO YOU IN CARRYING OUT YOUR OWN PLANNING RESPONSIBILITIES FOR, DESPITE THE DIFFERENCES IN THE NATURE OF OUR BUSINESSES, PLANNING HAS MANY SIMILARITIES.

THANK YOU FOR YOUR ATTENTION, I WOULD BE HAPPY TO ADDRESS ANY QUESTIONS OR HEAR ANY COMMENTS YOU HAVE REGARDING YOUR OWN PLANNING PROCESSES.