



Testimony

Before the Subcommittee on Legislative Branch  
Committee on Appropriations, U.S. Senate

For Release  
on Delivery  
Expected at  
9 a.m. EST  
Friday  
May 26, 1995

Fiscal Year 1996 Budget Estimates  
for the General Accounting Office

Statement of  
Charles A. Bowsher  
Comptroller General  
of the United States



154462 / 063821

---

---

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify on GAO's fiscal 1996 budget request.

GAO assists the Congress in its legislative oversight of the executive branch. We see our mission as seeking to achieve honest, efficient management and full accountability throughout government. To accomplish this mission, we are prepared to follow the federal dollar wherever it goes and to evaluate the efficiency and effectiveness of federal programs. We serve the public interest by providing Members of the Congress and other policymakers with accurate information, unbiased analysis and objective recommendations on how to best use public resources.

Both GAO and the Bureau of the Budget (now the Office of Management and Budget) were created in 1921, the outgrowth of efforts at that time to modernize federal budgeting and accounting practices after World War I. In return for creation of the Budget Bureau, which centralized the budget authority of the executive branch in the Office of the President, Congress insisted upon creation of GAO within the legislative branch to monitor and audit executive branch expenditures. From the beginning, it was intended "that the Comptroller General should be something more than a bookkeeper or accountant; that he should be a real critic." (61 Cong. Rec. 1090 (1921)).

GAO has always existed to serve the needs of the Congress. At first, in an era of limited government, this involved simple auditing of vouchers to make certain that federal payments were correct. But just as Congress adapted to an increasingly complex world as the decades passed, so GAO changed to help Congress grapple with more difficult and complex issues.

GAO is a nonpartisan agency staffed with specialists in many disciplines--accountants, computer scientists, public administrators, business school graduates, engineers, statisticians, lawyers, economists and others.

GAO's authorized staff level for the current fiscal year is 4,707, down from 5,325 employed by the agency in 1992. At this staff level, GAO is about the same size as it was in 1963, when the federal budget was just approaching \$100 billion for the first time. In comparison, the federal budget today is more than \$1.5 trillion, a 15-fold increase, and many agencies audited by GAO have grown several times over since the early 1960s. By continually working to increase productivity, to take advantage of modern technology, and to improve the skills and expertise of its staff, GAO has been able to keep pace with the added requirements and responsibilities that it now faces as a result of the growth in size and complexity of the federal government.

We are proud of the results of our efforts. Although total audit coverage has never been possible, we have contributed significantly

over the years to saving billions of dollars for the American taxpayer. In 1994 alone, GAO contributed to legislative and executive branch decisions and actions that resulted in more than \$19 billion in measurable financial benefits. This means we returned \$43 dollars in savings for every dollar appropriated.

#### **RESTRUCTURING GAO OPERATIONS AND WORK PROCESSES**

The General Accounting Office is committed to being a model government agency of the future -- smaller and at the same time achieving efficiencies through effective use of technology and quality management principles. GAO began downsizing in 1992 when it had a staff of about 5,325. With the support of this committee, we were able to offer retirement incentives in FY 1994 which resulted in the elimination of over 400 positions. This, combined with early out authority, a hiring freeze that has been in place since 1992, and a reduction in our field structure from 40 offices to 20, has already brought GAO's authorized staffing level down by about 12 percent. While these staff cuts necessitated some reductions in our work, we have still been able to meet our audit, evaluation, and investigatory responsibilities to the Congress. We achieved this through improved use of information technology, modernization of our headquarters building, and an ongoing commitment to the principles of quality management.

In this regard, we have, over the last decade, undertaken many initiatives to enhance the skill levels, and motivation of our workforce, including a totally redesigned pay-for-performance system to more effectively reward staff for performance, a revised merit promotion process and an enhanced senior executive selection and development process to prepare senior leaders of GAO.

We have invested substantial resources in modern technology and in training our staff to use such technology. GAO has installed telephone voice mail and video teleconferencing equipment in its headquarters and regional offices to improve communication and reduce travel costs. Computer networks linking all GAO are now being installed, promising easier, faster and more efficient sharing of information. Complementing the technology program is GAO's facility modernization plan which stems from the need to remove miles of asbestos duct work in the agency's headquarters building. Completion of this effort will result in upgrading heating, air conditioning and electrical systems and will allow GAO to consolidate its Washington staff in a modern, functional, and safer building, while saving millions of dollars in costs for leased space.

GAO is one of the first federal agencies to adopt quality management methods, beginning in 1990 when Dr. Deming was invited to GAO to discuss the concept of quality management with senior

management and staff. GAO is now well into implementing quality management principles.

We have initiated a number of efforts to improve our work processes and procedures over the last several years. These included adoption of goals to lessen "rework" of our products, guidelines for issuing briefing reports within 7 days after the oral briefing to congressional committees were provided, initiation of efforts to improve our ability to predict the issuance date of our reports, and efforts to reduce "cycle time" in producing reports.

The key effort that holds the most promise to reduce the costs of our jobs and the time to complete them is our effort to reengineer our job management process. We have set a stretch goal of reducing the amount of rework in our jobs by 50 percent over the next 2 years. And we know that to achieve that goal we have to change the way we plan and manage our work, including who gets involved in the jobs and when they get involved. We have to streamline our structure and we are planning to do that.

A senior level task team was established in October 1994 to identify and accelerate the GAO-wide implementation of "best practices" in units to improve GAO's entire job management process. A number of efforts were identified that can significantly improve how GAO begins assignments, plans their approach, gathers the data, and develops, reviews and issues its products. The task team also recommended establishment of a full-time senior team to utilize the identified efforts to develop a detailed new framework for our re-engineered job management process, and to test and put this new process in place GAO-wide in early 1996.

A key to this new process will be use of a "job assessment" that will guide decisions on staffing, supervision, and product review. In addition, GAO will improve its processes for obtaining early agreement with congressional requesters on the objectives, scope and approach to the jobs and expedite its process for obtaining comments on its reports from agency officials.

One of our issue areas, Agriculture, has also reassessed all its processes, from top to bottom, to reengineer our job management and support processes using our most advanced technologies. The goal of this prototype is to test how redesigned processes can enable us to deliver timely, high quality reports on time, every time, at reduced cost to congressional requesters. Results from the prototype will be incorporated into the GAO-wide approach in 1996.

#### **COST OF JOBS**

An important part of our initial efforts to improve GAO's work processes involves actions to raise the cost consciousness of our staff and congressional requesters alike. Beginning this month we started reporting to our congressional requesters an estimate of

the cost of our work underway in a cross section of our issue area work groups. We plan to monitor the results of this reporting throughout the summer. At the same time we are benchmarking our cost estimation process against major accounting and consulting firms and international audit organizations to see how we might better estimate such costs. Later this year, we plan to provide cost estimates to requesters of all of our congressional work throughout GAO.

Our goal is to establish a routine and continuing dialogue with our requesters on the merits and costs of requested work. Through this dialogue we hope to ensure that GAO is doing the highest priority work and using increasingly limited resources as wisely as possible to assist the Congress in discharging its legislative and oversight responsibilities.

All of these efforts are critical to the successful reengineering of our audit, evaluation and supporting processes to assure that we do our work quicker, cheaper, and consistently with the highest quality. The efforts to reengineer our job management process are among the most innovative GAO has undertaken since the 1950s.

#### **REDUCING THE SIZE OF GAO**

In 1992, GAO began working with this committee to reduce the size of the agency over a multi-year period. Our original plan was to bring the agency from 5,325 to about 4,500 in FY 1997. Last fall, we revised our plan to further reduce GAO to approximately 4,000, which would be GAO's lowest level since before World War II. This plan would have decreased GAO's size 25 percent below the FY 1992 level and resulted in recurring payroll savings of \$130 million per annum.

While staff cuts of this size would have necessitated reductions in some of our work and caused some organizational and functional realignments, we felt this staff level was achievable and would not have a negative impact on our ability to perform the most important mission work of the agency.

However, based on recent discussions with both you, Mr. Chairman, and Mr. Packard, we are now anticipating more serious reductions, on the order of 20 or 25% below our FY 1995 level. Cuts of this magnitude would take GAO well below the 4,000 staff level. I worry that, with the proposed additional reductions, GAO will not be able to adequately monitor Federal operations, and that this will hamper Congress's ability to properly oversee Federal programs, reduce incentives for proper accountability of the expenditure of Federal dollars, and increase the risk that the Congress will not be alerted to potential problems having serious financial consequences. And I am concerned that we will lose the deterrent effect resulting from a strong congressional audit capability.

Our capability to do work on many issues important to the Congress would be diminished, particularly more complex, technically challenging issues where the need for specialized knowledge and technical expertise is at a premium. Areas which would be affected include (1) GAO's work on the Chief Financial Officers Act and the effort to have audited financial statements in the government, (2) work on federal information management initiatives where the government is investing tens of billions of dollars each year, (3) work on curtailing possible abuses in entitlement areas like Medicare, Medicaid, and Supplemental Security Insurance, and (4) work on a variety of issues requiring economics and other technical expertise like bank regulation, tax policy and administration, transportation, housing, and trade.

In addition, GAO's ability to maintain adequate oversight of defense weapons systems and budget issues in an era of substantial change in defense programs and to provide oversight of government initiatives to improve management of the Government Performance Results Act and the National Performance Review would be diminished.

If the Congress decides that reductions of this magnitude are necessary in this difficult budget environment, then we need this committee's help to manage this downsizing, so as to minimize as much as possible the organizational disruption and personnel hardships which will occur. First we need time to consolidate, transfer or realign functions, reorganize operations, and implement new and streamlined processes. Secondly, separation incentives, such as "buy-outs", would reduce staff levels and lessen the costs, disruption and demoralization accompanying RIFs.

To illustrate the necessity of time, it is important to understand that a 25 percent reduction in budget resources for fiscal 1996 would mean that within the next four months GAO would begin terminating up to 1,600 employees (or one in every three). A RIF of such magnitude would seriously impair our ability to be an effective functioning agency capable of providing essential audit coverage of federal programs and meeting its statutory and other responsibilities. Significant portions of work would be halted or delayed and billions of dollars of financial benefits that flow from GAO's work each year would be jeopardized. In short, it would be exceedingly difficult to maintain GAO as a "going concern" under the turmoil which would result from a 25% cut in next year's budget.

If we were allowed to manage the reduction over a period of more than one year, the impact would be greatly reduced, especially if GAO could offer "buy-outs" to its employees. It would still be necessary to realign and streamline functions, redefine work processes, and conduct a RIF -- but of lesser magnitude. Time would allow us to (1) analyze workload and restructure policies and procedures, (2) consult with Congressional customers before setting

priorities and adjusting workload levels, (3) explore options regarding the transfer of some functions to other agencies and contracting out other functions, and (4) reassign staff so that we can continue to perform work in high priority issue areas. By spreading the reductions over more than one year, we would be able to organize and administer the reductions in a way that would permit the agency to continue as a "going concern".

#### **RECENT WORK FOR THE CONGRESS**

The demand for GAO work by the new Congress has remained very high. During the first 100 days of the 104th Congress GAO testified a record 109 times. We take a great deal of pride in the work we have performed in recent weeks for the committees of Congress--work that reflects the agendas of the new committee leadership. This work includes helping target budget reductions, proposals for civil service reform and downsizing government, privatization of the Federal Aviation Administration and other programs, and welfare reform. GAO's audit and investigatory expertise needed to support these and other efforts would be seriously jeopardized if we were to lose staff with specialized skills and knowledge of ongoing federal programs because of precipitous budget reductions.

#### **BENEFITS FROM GAO'S WORK**

##### GAO Studies Help Assure A More Efficient and Cost-Effective Government

Each year, GAO's work leads to legislative and executive actions that provide financial savings and other benefits of several billion dollars. In 1993 for example, Congress acted to limit special tax incentives for corporations operating in U.S. possessions after GAO found that a disproportionate share of these incentives go to companies that generate relatively few jobs. In another example, the Congress acted in response to GAO work when it terminated NASA's Advanced Solid Rocket Motor program in 1994. The cost of the program had doubled while an existing motor was performing safely and reliably. These decisions each provided benefits to the American taxpayer of well over \$1 billion. In total, GAO's work has led to budget reductions, cost avoidance, appropriation deferrals and revenue enhancements of nearly \$200 billion over the past decade, including \$19 billion in fiscal 1994.

##### GAO Evaluations Expose Waste, Fraud, Abuse and Mismanagement

After the scandal at HUD in the late 1980's, GAO developed a list of "high risk" programs it continues to monitor for waste, fraud, abuse and mismanagement. GAO's work on unneeded inventory at the Defense Department, for example, has highlighted the waste associated with DOD's estimate of \$36 billion in supplies that are not needed to satisfy current operations or war reserves, as well



as the cost and burden associated with storing and managing that inventory. In another example, GAO has reviewed such wasteful practices as Medicare's reimbursement of physical therapy billed at as much as \$600 an hour even though therapists' salaries are as little as \$20 to \$35 an hour. After GAO highlighted the growing loss from student loan defaults--\$3.2 billion in fiscal 1991--Congress acted to make changes which have led to significant progress; loan defaults declined to about \$2 billion in fiscal 1994. Our latest high-risk series were issued on February 22 and emphasized the need to continually focus on ways to eliminate practices that waste taxpayer dollars.

#### GAO Expertise Can Help Target Reductions Necessary For a Balanced Budget

One of the major challenges facing Congress is how to cut federal spending by a cumulative \$1 trillion or more over the next 6 years to balance the federal budget. Each year, GAO works with the Appropriations committees to find potential savings from the Administration's proposed budget, and typically finds as much as a billion dollars in savings. GAO also works with the budget and authorizing committees to identify potential savings that would result from modifying, limiting or abolishing entire programs. GAO studies, for example, provided the initial impetus for the decision to close more than 1,200 field offices of the Department of Agriculture. Savings associated with these closings and the restructuring of USDA headquarters organizations are projected at \$3.6 billion over 5 years. In another example, GAO's detailed knowledge of AMTRAK is expected to be of major benefit to deliberations on whether to eliminate or trim the passenger railway's \$900 million annual subsidy. This expertise is available to congressional committees on programs that span the breadth of federal activities, from the Defense Department and NASA to the Small Business Administration and the Department of Housing and Urban Development.

#### GAO Offers Insights on How Plans to "Downsize" Government Can Best be Accomplished

As the Congress considers plans to require major reductions in the size and scope of federal agencies, GAO offers a breadth of knowledge about the federal civil service; the way in which government agencies contract for goods and services; and experience, some of it first-hand, on how best to accomplish downsizing goals. GAO itself, for example, is in the midst of its own downsizing, now well on the way to achieving its goal of reducing its staff by 25 percent. Meanwhile, GAO has closed half of its 40 field offices in the past decade while retaining high productivity. GAO has already implemented reforms now being proposed elsewhere, ranging from "pay-for-performance" to scrapping the rigid structure of federal GS pay schedules and substituting a system in which employees are placed in three broad bands, offering

flexibility to managers and encouraging greater employee involvement. In other areas, GAO has monitored the closing of military bases, has done several studies on the defense force structure in light of decisions to reduce the size of the U.S. military, has tracked the results of previous downsizing efforts at Social Security and other agencies and has studied how the private sector has downsized.

### Financial and Information Management and Accountability are GAO Watch Words

GAO, long an advocate of financial management reform for the federal government, worked with bipartisan congressional leaders to write the Chief Financial Officers Act, a law that now requires major federal agencies for the first time to prepare financial statements and undergo annual financial audits. The CFO Act passed after GAO studies and audits showed that federal agencies cannot account for tens of billions of dollars, that books cannot be balanced, and that mismanagement has led to billions of dollars in waste each year. GAO has a major responsibility to monitor progress under this new law, including a requirement to audit the Consolidated Financial Report to be issued to the American taxpayer on federal finances each year. More important, data developed as a result of these new requirements will provide congressional leaders with a wealth of information on how to reduce spending and ensure ongoing accountability, and will contribute to successful implementation of the Government Performance and Results Act, which makes performance measurement a key element of federal program management. GAO has also advocated better utilization of the estimated \$25 billion the federal government spends each year on computer and information technology. In 1994, GAO produced a widely-recognized study outlining how "best practices" in information technology can be used to better serve the public.

### **REVIEWS OF GAO**

In 1994 GAO underwent a review by the National Academy of Public Administration (NAPA). The Academy conducted the review at the request of the Senate Governmental Affairs Committee. NAPA's report, released in October 1994, includes several recommendations that GAO is using to improve its operations. The NAPA recommendations and other issues were discussed at GAO's oversight hearing in March of 1995 before the Senate Governmental Affairs Committee.

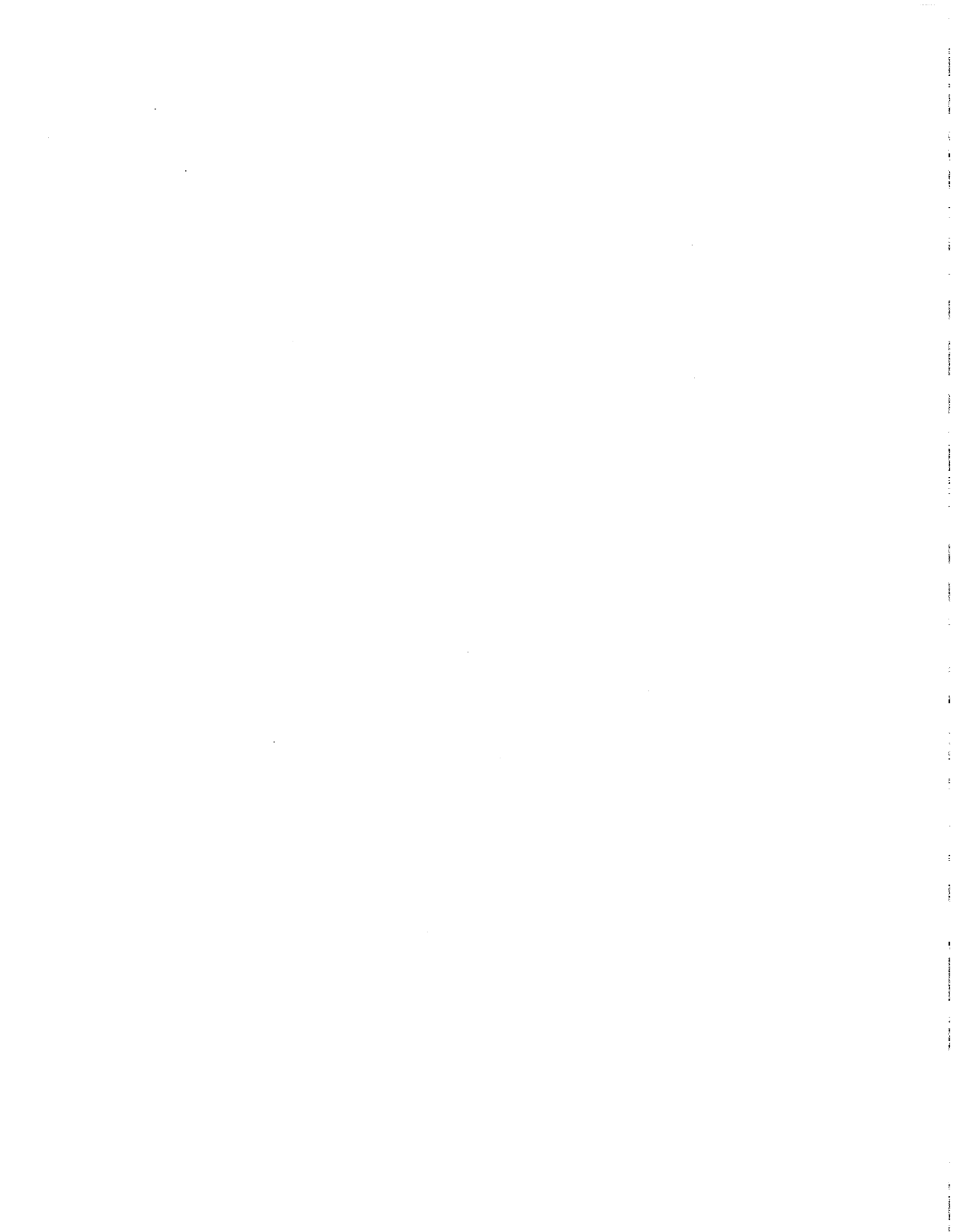
In addition to the NAPA study, the House directed that GAO fund a broad-based, organizational performance review done by a qualified, private organization. Using that authority, GAO has retained the accounting firm of KMPG Peat Marwick. GAO drafted a task order to present to the contractor and is coordinating it with its appropriations and oversight committees.

## CONCLUSION

A strong GAO is critical to Congressional oversight of the executive branch. GAO is uniquely positioned with staff and expertise to watch for accelerating costs in big programs, alert the Congress to emerging problem areas, help pursue efficiency and effectiveness in major programs, and to be a critical element in ensuring accountability and integrity in the use of scarce federal funds and resources.

GAO is prepared to work with you and others in Congress to define the appropriate size for our agency, and we are prepared to help develop and implement plans to reach that level. Properly managed, a phased reduction will allow GAO to maintain its core audit, investigatory and evaluation functions that serve the needs of Congress and the taxpayers.

I would be happy to answer any questions you might have.



---

---

### **Ordering Information**

**The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20884-6015**

**or visit:**

**Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC**

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

**Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.**

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---