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United States General Accounting Office

GAO

Testimony

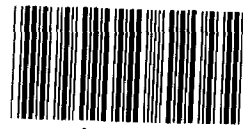
Before the Joint Committee on
the Organization of Congress

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CONGRESSIONAL SUPPORT AGENCIES

The Role of the General Accounting Office

Statement of Charles A. Bowsher
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Chairmen and Members of the Joint Committee, I am pleased to be here today to discuss the mission of the General Accounting Office and how we assist the Congress in discharging its legislative, oversight and appropriations functions. I will also describe how we operate and how our role has been strengthened over time. Finally, I'll outline changes we've been making to improve our effectiveness and our relationship with the Congress and offer some additional options for your consideration.

GAO's MISSION

The General Accounting Office 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. 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 federal expenditures.

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.

Most of GAO's work is done for congressional committees, principally through independent evaluations of federal programs and policies, financial audits, legal opinions, and recommendations for improving the effectiveness and efficiency of government. GAO is required to do work requested by committee chairs; as a matter of policy, GAO assigns equal status to requests from ranking minority members. The issues examined by GAO span the breadth of national concerns: health care costs, national security, energy, the safety and soundness of financial institutions, environmental protection, education, the space program, transportation, tax administration, income security and many others.

In order to do this work, the modern GAO has become an agency of men and women who possess knowledge and skills in a host of disciplines. GAO is a highly professional organization made up of accountants and lawyers, actuaries and statisticians, economists and computer specialists, engineers and health care specialists, public policy experts and criminal investigators. Virtually all our professional staff are college educated and nearly 50 percent have advanced degrees.

While GAO audits and evaluations are the most visible portions of GAO's work and absorb the largest share of agency resources, GAO has other functions as well. Present-day accounting activities include prescribing accounting principles and auditing standards for use throughout the U.S. government and evaluating accounting systems and controls used by executive agencies. GAO also has authority to settle claims against the federal government when a settlement made by an executive agency is appealed. In addition, GAO issues legal decisions on matters involving government revenues and expenditures; these decisions are

binding on federal agencies. Finally, GAO resolves protests made against the award of federal government contracts; the agency handles about 3,000 such bids each year.

Our mission has been influenced by hundreds of provisions in individual laws directing GAO to undertake specific audits or reviews and giving GAO the authority to examine previously off-limit agencies, such as the FBI or the IRS. Literally, thousands of other studies have either been assigned to GAO in congressional committee reports or requested by committee chairs, ranking minority members, or individual senators and representatives. These demands have helped shape GAO's role and have pushed GAO toward more complex questions requiring a sophisticated and well-trained work force.

The role GAO plays today is the culmination of more than 7 decades of service to Congress. The agency's commitment to quality is the single most important principle governing its work. We define high quality work as (1) objective and independently derived; (2) accurate, timely and meaningful; and (3) presented in a way most useful to responsible officials. The agency values its people and the diversity and skills they bring to the service of the Congress and the American public.

How GAO Differs From Its Sister Agencies

Our mission differs from, but complements, those of the other support agencies. All four of the agencies--CBO, CRS, OTA and GAO--provide research services to the Congress. And all four agencies are staffed with well-educated and highly skilled professionals. Nonetheless, each has a distinct mission. As the press so frequently reports, GAO is Congress' "watchdog." Unlike the other support agencies, GAO primarily audits, investigates and evaluates. We (1) provide assurance that adequate financial and management controls cover the operations of government agencies and programs and (2) produce information for the Congress on the effectiveness, efficiency and economy of government activities. By conducting financial and performance audits, program evaluations, and special studies, GAO determines whether government agencies are

- properly accounting for the resources Congress provides,
- conducting their programs efficiently and effectively,
- complying with applicable laws and regulations,
- controlling fraud and abuse, and
- achieving results intended for the programs they manage.

Important aspects that distinguish GAO from its sister agencies are that

- GAO has a field structure unique among Congressional support agencies. Staff is located not just in Washington, but throughout the country, with a small contingent in Europe. This gives GAO the ability "to follow the federal dollar wherever it goes" and to gather data first hand. This ability to gather data means that Congress need not be dependent upon the executive branch or interest groups for the information it needs to legislate.

- By statute we have access to essentially all federal records at their source. This is important because, as you can imagine, not everyone we audit is predisposed to turning over all the records which might raise questions about how well they are managing a program. In addition, GAO's reputation for the care with which it handles data frequently means that our staff can gain voluntary access to sensitive or proprietary data unavailable to others.
- Almost all of GAO's reports are made available to the public, and can therefore be used by any Member of Congress, agency official or citizen.
- We are authorized to make recommendations, in addition to analyzing data, reaching conclusions and reporting facts.

Preventing Duplication Among Support Agencies

In the 1970s, Congress first became concerned about potential duplication between GAO and the other support agencies. The agencies took several steps in response to that concern.

- Prior to the start of any project, our managers are required to contact the other three agencies to determine whether potential duplication exists. Furthermore, our subject matter experts meet frequently to exchange ideas, identify issues and sort out roles.
- Copies of the Research Notification System (RNS) report are circulated to key staff in each agency. The RNS catalogs new starts, ongoing and recently completed work for each of the agencies.
- An Interagency Coordinating Group meets periodically to discuss potential duplication and to otherwise exchange agency information to help us perform our missions.

GAO Role Versus That of the Inspectors General

It has also been argued that we are much like the Inspectors General, but though we both spring from an auditing tradition our missions are markedly different. Our staff do have many of the same skills needed by Inspectors General and, indeed, many former GAO employees work in their offices. Yet GAO differs significantly from them, and it would be a serious mistake to assume that you could replace one with the other. These differences include the following:

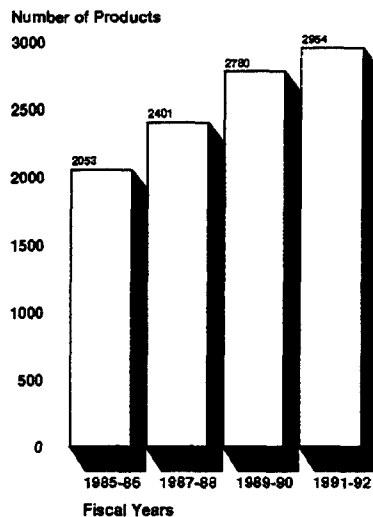
- GAO is independent of the agencies it audits. The Inspectors General may report some of their work to the Congress but they are clearly in the Executive Branch.
- No other agency has GAO's breadth of coverage. Over time, we audit virtually every major federal program.
- IGs concentrate on the specific activities of their agencies. Thus, they frequently review specific contracts or installations. GAO's scope is generally far more comprehensive. We look at programs and issues that often cross several agencies.
- Like other federal entities, the IGs are subject to review by the GAO. We clearly have the responsibility to see how well the IGs are carrying out their tasks.

GAO Work Load, Productivity, and Impact

To provide a more complete understanding of our current role, and the contribution we make to congressional effectiveness, I'd like to briefly review how our work load, service to the Congress and contributions have grown in recent years.

I'll start by comparing statistics spanning fiscal years 1985 through 1992, a period coinciding roughly with the last four Congresses. This period allows a useful measurement of the pace of change because we had roughly the same number of staff during these 8 years. Let me direct your attention to the first chart, which shows a steady upward trend in our evaluation and audit products.

GAO Product Volume Has Increased



We completed nearly 3,000 products during the last 2 years--a 44-percent increase over the total for the fiscal year 1985-86 period. This product figure includes 1,942 reports to the Congress and agency officials, 566 testimony appearances before the Congress, 321 formal congressional briefings and 125 congressional letters transmitting audit findings.

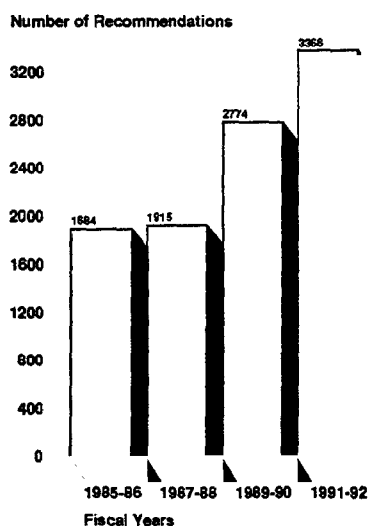
These overall increases are largely explained by a much greater level of service to the Congress. For example, as shown in the next table, our production rate for congressional reports and testimonies increased by 100 percent and 147 percent, respectively, over the 8-year period. This shows the extent to which congressional committees are increasingly finding GAO's work relevant to and useful in addressing issues of concern to Congress. Incidentally, in 1992, 72 GAO executives testified, up from 42 witnesses in 1985, which, I believe, illustrates the increased level of expertise in our senior executive ranks.

GAO Support to Congress Has Increased

	1985	1992	Percent Increase
Reports to Congress	457	915	100
Testimony	117	289	147
Different Lead Witnesses	42	72	71
Completed Congressionals	669	1,535	129

Completed congressional assignments have also more than doubled since 1985. And the proportion of our staff years spent at the specific request of the Congress also increased, from 35 percent when I took office in 1981, to 57 percent in 1985 and 82 percent in 1992. In fact, in 1992, we addressed at least one written report to 213 House members and 86 Senators. Compared to 1985, this is an 82-percent increase in the number of House Members served and a 23-percent increase in the number of Senators. All in all, I believe these statistics illustrate the Congress' increasing reliance on GAO for accurate, objective analysis in its deliberations on the important decisions facing the nation.

Number of GAO Recommendations Has Increased



GAO's true value to the Congress and the public, however, is when constructive use is made of our work. As the chart above shows, GAO nearly doubled the number of recommendations made over the 8 year period. During the last Congress, we made a record number of recommendations to the Congress and executive branch agencies that have potential to improve government. If the experience of recent years is a good predictor, three out of four of these recommendations will be implemented within the next 4 years.

Achieving Financial Benefits

Many of our recommendations when implemented result in very significant financial benefits to the American taxpayer. These include budget reductions, costs avoided, appropriations deferrals, and revenue enhancements, that GAO documents as either directly attributable to or significantly influenced by our work.

A few illustrative examples of important financial accomplishments follow.

- GAO's work on inventory management at the Department of Defense (DOD) led Congress to cut \$4 billion from DOD's budget to force efficiencies in DOD's inventory system. DOD is now working toward using more economical business practices in its handling of spare parts and other inventory items.
- GAO has long played an important role in the health care area, notably identifying unnecessary costs and recommending needed changes. Congressional action based on GAO's work has yielded billions of dollars in deficit reductions. Over the last year, our reports and testimony discussing the health care system's vulnerability to fraud and abuse stimulated legislative activity and helped focus the debate on significant administrative reform.
- GAO documented major problems in the developmental and operational testing of the Bigeye chemical bomb, and raised serious questions about whether the bomb could function. As a result, Congress required additional testing and barred full-scale production until the weapon met test requirements. In mid-1990, the Defense Department canceled plans to produce the bomb as part of a major arms control agreement with the Soviet Union, at a savings of \$560 million. Former House Foreign Affairs Committee Chairman Dante Fascell said that GAO's reports made an important contribution to the agreement with the USSR banning chemical weapons.
- GAO, in conjunction with Israel's Comptroller raised serious financial and affordability issues associated with the U.S.-funded development of Israel's multibillion dollar Lavi fighter aircraft, which ultimately led Israel to stop further development and production of the program.
- GAO's reports on the enriched uranium program contributed to the Department of Energy's decision to abandon a plant, thus saving about \$3.5 billion. Also, our reports on the Clinch River Breeder Reactor, covering virtually every important aspect of the project from its escalating costs to its future place in the nation's energy strategy, played a pivotal role in Congress' decision to terminate the project.

Alerting Congress to Major Problem Areas

In addition, much of our work has helped alert Congress to emerging problem areas. Some examples follow.

- Since it began alerting Congress in the mid-1980s to the growing problems in the thrift industry, GAO has monitored the management and costs of the Saving and Loan crisis. We have also proposed numerous legislative and regulatory reforms. For example, our reports and testimony contributed to the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991.
- Through a series of financial audits and program reviews we have alerted Congress and the Resolution Trust Corporation (RTC) to a number of areas that were vulnerable to waste, abuse and mismanagement. Recently we reported several billion dollars in excess funds that permitted RTC to lower its estimates for completing the thrift cleanup and to resume efforts to resolve insolvent thrifts.
- Initially, we alerted Congress to the overall cost of the Persian Gulf War and later concluded that the war could be completely financed from allied contributions. As a result, Congress in 1992 rescinded \$14.7 billion from the taxpayer-financed Regional Defense Fund.
- In response to GAO technical and procurement-related concerns, the Federal Aviation Administration did not award its original major data processing contract, the Computer Resources Nucleus project, and issued a dramatically improved request for proposals that resulted in a contract costing about a third of that originally planned.
- GAO reports and testimony showing that DOD's 5-year spending plans tended to materially underestimate weapons program costs and overestimate the amount of future funding available for defense programs, supported legislation requiring DOD's spending plans to match the President's budget.
- GAO recommendations to restructure the B-2 bomber program resulted in budget reductions of \$1.1 billion in fiscal year 1991 and an average reduction of \$4 billion over the next 3 years. Also, GAO's work on the C-17 cargo plane and Seawolf submarine were used extensively in congressional deliberations on those systems.
- GAO's oversight of FAA's \$33 billion air traffic control modernization program was crucial to helping Congress make funding decisions and encouraging FAA to change its acquisition process.

Improving the Lives of Americans

Many other recommendations result in improvements in government operations and services. Last fiscal year, for example, we documented 192 instances of such nonfinancial accomplishments. This was up 146 percent from 1985. Some significant examples of such accomplishments follow.

- Documenting the life-saving effects that states could expect from an increased minimum drinking age helped influence state legislation so that now all 50 states and the District of Columbia have increased the minimum drinking age to 21. These actions are estimated to have saved 1,000 lives annually.
- Our disclosure of serious deficiencies in the Food and Drug Administration's oversight of medical device manufacturers helped strengthen regulations to reduce the chance of unsafe devices reaching the marketplace.
- In direct response to GAO's work, the National Institutes of Health (NIH) substantially tightened its procedures for ensuring that government-sponsored research include women where appropriate, and NIH created an Office of Research on Women's Health to more proactively deal with women's health issues.

Strengthening Government Management

In the mid-1980's, GAO began reviewing the overall management of agencies. The major goal of these general management reviews was to outline for the leaders of executive branch agencies the importance of improving their management practices.

The most common recommendations emerging from management reviews reinforce management basics such as developing strategic planning systems; dealing with leadership weaknesses that result from a high rate of turnover and lack of accountability; addressing long-standing problems involving information resources management, financial management, and internal controls; and focusing more on how managers and workers are recruited and trained. We have made over 400 specific recommendations along these lines to agency heads. Many will take years of sustained action to implement. While some agencies still have a long way to go, their response has been encouraging.

- The Department of Agriculture, for example, has actively pursued major reforms and streamlining initiatives, and established the "Secretary's Management Agenda" to monitor management issues, goals, and objectives. Additionally, Secretary of Agriculture, Mike Espy, has announced his intent to consolidate farm field agencies under a single under secretary, consistent with our call for an integrated farm field organization.
- Similarly, IRS has used our management review to improve the agency's operations. It has reorganized its top management structure to improve accountability and communications. It also improved decisionmaking by setting up a strategic management system and is now assessing accomplishments against its strategic business plan. As a result of this improved focus, IRS is finally making progress in reducing errors, improving financial management, and modernizing its computer systems.

Improving Financial Management

GAO has long been associated with major reforms in government financial management. Our many years of identifying problems in internal controls and accounting systems led to the passage of major legislation such as the Financial Integrity Act and the Chief Financial Officers (CFO) Act. GAO has also taken the lead in conducting financial audits called for by the CFO Act. For example:

- Our 1991 audit of the Army identified about \$95 billion of adjustments and corrections to improve the accuracy and presentation of the department's report on its financial position. In addition, we found that Army inventory records did not accurately record either the quantities or the values of a reported \$17 billion of spare parts and supplies. As a result of our work, the Army has implemented improved inventory procedures, including a statistically based year-end count for 1992.
- Similarly, our financial audit of the Air Force disclosed that existing financial management systems need enhancements to produce sufficiently reliable information for managerial purposes.

OPERATIONAL IMPROVEMENTS

Because you directed questions to us prior to the hearing regarding recent improvements in our operations, I'd like to spend some time describing those which we feel have contributed the most to our improved service to the Congress. These changes have also allowed us to keep pace with the growth and complexity of government without increasing the size of our staff. Specifically, during the last 7 years we have taken steps to

- improve how we set work priorities;
- build the issue-area expertise of our regional staff;
- streamline our headquarters and field organization and close several offices;
- capitalize on developments in information resources, especially microcomputer technology;
- continually elicit, study, and implement ideas for improving our efficiency and effectiveness; and
- strengthen systems for ensuring that our work is of high quality and meets professional standards.

Finally, and most important, we have made a concerted effort to further invest in our most important resource, our people, upon whose individual initiative and talent our success so heavily depends.

Anticipating Needs and Focusing Our Work for Congress

An important question which is often asked about GAO is how we set our work priorities. The importance of this process has been heightened in recent years by our need to respond to a growing work load that for most of our issue areas now exceeds our ability to respond to every request or to do so as quickly as our customers would like. Thus to optimize our usefulness to the Congress, we have taken a number of actions in recent years to better focus our efforts. For example, we have renewed emphasis on the need to acquire a fuller understanding of the issues Congress is likely to address in the next several years, as well as the influence on their information needs of external socioeconomic and technological trends. Thus, in our planning process, we consult broadly with congressional Members and staff on both sides of the aisle, as well as with a wide spectrum of government and private experts. The resulting plans define for a 2-3 year period the major issues for which we

believe Congress will need information and advice, and describe the strategy and individual jobs we will undertake as resources become available.

To help us set our work priorities, we established guidelines in early 1990 designed to provide an appropriate mix of work and to optimize GAO's usefulness to the Congress. Specifically, we try to focus our resources on assignments having the potential to achieve at least one, and preferably several, of the following objectives:

- Contribute to congressional decision-making on significant public policy issues;
- Fulfill statutory and legislative requirements and commitments;
- Identify and eliminate serious mismanagement, fraud, and abuse;
- Realize large dollar savings to the government and the taxpayers;
- Change policies, procedures, and management structures of major government programs to better achieve desired program results and/or achieve objectives at lower cost;
- See that major government programs comply with applicable laws and regulations and that funds are spent legally;
- Ensure that funds of major government programs are accounted for accurately; and
- Enhance GAO's methodological and technical skills.

We have communicated these priorities to all GAO staff, as well as to our oversight and Appropriations Committees, and we consider them in reviewing each new job. This has undoubtedly helped us make better choices in the work we undertake and the way in which we manage our jobs.

In setting priorities, we give preference to committee requests made by chairs and ranking minority members, as well as to legislative mandates. We also attempt to preserve some level of resources for important self-initiated work that may not as yet have a congressional sponsor, but we believe could have important impacts on the effectiveness of government or could help avoid economic losses to the taxpayer. Although we believe these measures are generally successful in targeting our work, demand for our assistance will likely continue to grow while every indication is that legislative branch resources will not. Thus, we need to constantly look for ways to refine and improve upon how we set our work priorities. As I'll describe later, we are continuing efforts to do so as part of our quality management initiative.

Special Investigations

In the mid-1980s, it became increasingly clear that an office staffed by highly trained investigators, including those experienced in criminal cases, was necessary for us to be responsive to a special subset of our congressional request work load--jobs where violation of criminal laws was suspected or alleged. Consequently, in 1986, with congressional encouragement, I established the Office of Special Investigations to enhance our ability to do investigative work. During the past 2 years, this office has completed over 90 investigations,

has enhanced our direct assistance to the Congress, and has become an important adviser and consultant on work in areas vulnerable to fraud, waste, and abuse.

Restructuring Our Organization to Fit Today's Environment

Environments change--and organizations must either adapt to these changes or be left behind. During the past several years, we have undertaken a number of initiatives to realign our organization, including (1) developing greater issue area expertise and job management skills in our field staff and (2) closing, combining, or consolidating a number of our field offices and audit sites.

To enhance our expertise, we have reduced the number of major issues upon which each field office focuses and are concentrating our work where it makes the most sense. For example, in fiscal year 1989, our agriculture work was conducted by 10 field offices. Now the bulk of this work is done in five offices--Atlanta, Chicago, Dallas, Kansas City, and San Francisco--that are responsible for covering the entire country. Since this change, productivity as measured by the number of agriculture reports and testimony appearances has increased significantly.

We have also had good success by placing management-level staff in our regional offices whose only responsibility is to lead work in a specific programmatic area. These managers oversee a core staff dedicated to working in a single issue area, and they direct all aspects of the work, including duties traditionally carried out only in our Washington headquarters. This is a relatively new initiative but early indications are that it holds excellent promise for improving both the efficiency and timeliness of our work.

GAO has long had a two-tiered field-office structure--16 regional and overseas offices supported by a larger number of relatively small suboffices. I and others wondered whether this structure, particularly the suboffices, gave us the flexibility we needed to shift resources when our work load changes geographically. In 1987, we established a task force of senior managers to analyze our suboffice structure and find opportunities for long-term efficiency gains. Specifically, we sought changes that took advantage of developments in transportation and communications technology that could allow consolidation of small offices and greater concentration in fewer and larger federal centers. On the basis of that study, we decided to close eight small suboffices and, as a result, were able to reallocate about 70 staff years to mission work elsewhere. We also combined two regional offices--Chicago and Detroit. Because of their proximity and the many common work areas, combining these regions provided significant efficiencies by eliminating redundant positions and better coordinating their work. Given the earlier successes, I have recently formed another working group to take an even more fundamental look at our field structure. Finally, in the last 3 years, we have consolidated many of our smaller headquarters audit sites.

Capitalizing on Information Resources Technology

As you know, advances in the information sciences, especially microcomputer technology, have revolutionized the way modern organizations function. This is especially true for organizations such as ours, in which information itself is both a major input and the principal product. Today, microcomputers are as indispensable to our staff as calculators were 15 years ago. In fact, our newest employees are accustomed to having the latest computer

technology available to them in their educational and work environments, and they expect GAO to provide similar equipment and software. I am proud to say that as a result of efforts over the past several years to acquire desktop and portable microcomputers, we have met our goal of providing a microcomputer to every staff member who needs one.

But it is not enough merely to put a microcomputer in the hands of each staff member. Rapidly advancing technology quickly turns today's state-of-the-art computer into tomorrow's surplus equipment. This is true not only for microcomputers, but also for supporting software and equipment, such as printers and telecommunications devices. There is no staying even in this area; either we move ahead or fall behind. To move ahead, we must integrate information technology into the very fabric of the organization itself. We have undertaken a number of initiatives to do just that.

Two years ago we placed in operation a new assignment tracking system that helps us better follow the progress of our work and emphasize key decision points in our work process. More recently, we have made great progress in our efforts to pilot a wide area network and develop network-supported applications to improve our assignment process. This technology holds the potential to enhance greatly the ability of our geographically dispersed staff to respond to growing congressional information needs. Networking our microcomputers will open up opportunities to share information and redesign our processes.

Our communications capability has also been enhanced by initiatives to upgrade telephone services and to introduce video-teleconferencing to our headquarters and regional offices. These efforts were carried out in cooperation with the Architect of the Capitol. Furthermore, the changes in our telephone services give us communications compatibility with the legislative branch, significantly reduce costs, and provide our staff with new features, such as voice messaging and conferencing. Our video-teleconferencing experience began with a pilot between our headquarters and Seattle offices and was recently extended to include our San Francisco, Los Angeles, and Denver offices. It has illustrated that this technology can make a significant contribution to GAO's operations, particularly at a time when travel funding has been significantly reduced.

On the administrative side, we have also added significant advances in automation. For example, we consolidated our payroll, personnel, time and attendance, assignment management, and supply information systems which are now being operated by the Department of Agriculture's National Finance Center. This has proven to be very effective, and we believe it is saving the taxpayers a considerable amount of money. We have also placed in operation a financial management package that meets the accounting principles and standards we promulgate for the rest of the federal government. The system has successfully supported production of timely, auditable financial statements for the past 4 years.

Initiatives to Improve Our Efficiency and Effectiveness

Several years ago, in recognition of the central role each GAO employee plays in achieving operational efficiencies, we instituted a program designed to elicit, study, and implement improvement ideas from staff throughout the organization. Called the Operations Improvement Program, it provides a vehicle for encouraging employee ideas at all levels and enlisting employee help in bringing those ideas to fruition. Among the projects that, in my opinion, have yielded significant benefits are

- the enhanced use of graphics in GAO products and presentations, through decentralized graphics centers and improved training;
- the use of bulk mailing to achieve significant savings in mailing costs; and
- the automation of the preparation of assignment initiation paperwork that significantly reduced administrative burden on evaluator staff.

With our work load becoming larger and more analytically and technically complex, we must increasingly ask whether our traditional approaches to managing and performing our work will enable us to meet the challenges of the future. To this end, we recently concluded that we must seek ways to accelerate the pace of innovation in everything we do, and I'll discuss the resulting quality management program toward the end of my statement.

How GAO Ensures Quality in its Work

Another question often asked is whether GAO, as the independent auditor and evaluator of executive branch programs and activities, is itself subject to external audit or quality review. The question is usually phrased as "Who audits the auditor?"

Before addressing this question directly, I wish to point out that GAO has in place a well-documented system of quality controls to ensure that its audit and evaluation activities are conducted with the highest degree of professionalism and in conformity with all applicable quality standards. This system of controls is augmented by careful attention to the selection and training of highly qualified staff operating under the direction of experienced and expert supervisors with a strong sense of integrity and dedication to exacting standards of professional conduct.

No GAO assignment is started without being approved by senior managers in the originating division. In addition, top advisers and I regularly review all new starts. Each assignment team also reports directly to a senior manager, called the issue area director. These issue area directors typically have many years of government audit and evaluation experience and strong technical skills and programmatic knowledge. They sign many of our reports and frequently testify before congressional committees.

The data collection and analysis work of our staff is carefully documented in our work papers and reviewed by experienced supervisors. When a congressional requester does not wish us to obtain official agency comments on a draft report, we hold exit conferences to obtain the views of responsible officials on the issues to be discussed in our reports. Every statement of fact in a GAO product is independently verified by an experienced evaluator not associated with the assignment to ensure its accuracy and support, and the drafts are reviewed by senior GAO managers not directly associated with the assignments and by our legal staff prior to their issuance as final reports.

But, as an auditor, I recognize that no matter how strong a system of controls is, periodic independent checking is needed to ensure that it is operating as intended. I, therefore, have taken steps to systematically test compliance with GAO's quality control system. In 1983, we initiated an annual internal quality review program -- called PAQRS, for Post Assignment Quality Review System. This is somewhat similar to the peer review programs applied by CPA firms and most other government auditing organizations. However, an important

qualification is that it is conducted by GAO staff, carefully selected from units other than the ones being reviewed, rather than by external reviewers.

We have, therefore, taken other steps to get some independent perspectives on our internal quality assurance processes. Notably, 2 years ago, I established a special Quality Control Review Board, chaired by Elliot Richardson, who has held many cabinet and subcabinet positions, including Secretary of Commerce, Defense, and HEW, and Attorney General. The Board's purpose is to review and advise us on the effectiveness of our internal quality program.

Other members of this Board are the following:

- John C. Burton, CPA, of Columbia University, former Chief Accountant of the Securities and Exchange Commission and former Dean of the Graduate School of Business at Columbia University.
- David F. Linowes, CPA, of the University of Illinois, who was also the Chairman of the President's Commission on Privatization; Chairman, Presidential Commission on the Nation's Energy Resources; Chairman, Federal Privacy Protection Commission; and National Partner, Laventhol & Horwath.
- John Rhinelander, a Washington Attorney with Shaw, Pittman, Potts, and Trowbridge; former Under Secretary of the U.S. Department of Housing and Urban Development; former General Counsel of the U.S. Department of Health, Education, and Welfare; and who held other legal positions, including adviser to the SALT I delegation, the State Department, and the Secretary of the Navy.

I have also consistently supported the idea of having a formal external quality review process for GAO, and have made proposals to our oversight and appropriations committees on how this might be done. Such a review would be consistent with Government Auditing Standards, which require organizations conducting audits to have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed. However, we have been unable to implement such a program on our own, primarily because of strongly held views that primary responsibility for overseeing GAO's operations should rest with the appropriate congressional committees. Recently, however, the Senate Governmental Affairs Committee contracted with the National Academy for Public Administration (NAPA) to conduct a broad review of GAO for the Committee. We will cooperate fully with this effort and expect that it will benefit both GAO and the Congress.

RECENT POLICY AND PROCEDURAL CHANGES

As you are well aware, a number of concerns have been raised that I would characterize as dealing with the objectivity of our work and the fairness of certain procedures we have followed in working with the Congress. Let me say that GAO staff have always taken great pride in the agency's neutral, nonpartisan stance. Our audits, evaluations, and investigations have been favorably received and extensively used for decades by policymakers in Congress and the executive branch. We believe this wide acceptance, which has included Members of both political parties, is largely due to the high degree of professionalism that goes into our work, and because the reports we produce can be counted on to offer unbiased and objective findings and recommendations.

Nonetheless, as we studied these concerns, we concluded that we should reexamine certain of our policies and practices, especially as they relate to congressional requests, to see if some changes could reinforce and demonstrate our strong commitment to objectivity and nonpartisan assistance to the Congress. Before I discuss these changes, a little background on our past policies and the problems that have sometimes arisen would probably be useful.

Some members have said that we favor the majority party. However, GAO is required by law to do work for committees of Congress and the majority party sets the committees' legislative and oversight agendas. It is understandable, therefore, that much of our work is in response to requests by the chairs of committees and subcommittees. While this has been characterized as favoring the majority party, it should be noted that GAO accords equal status to requests for work sent to us by ranking minority members and a substantial portion of the work that we do for individual members is done for those in the minority. Incidentally, when the Republicans controlled the Senate, our Senate request work was weighted toward Republican committee chairs.

At times, a requester has not wanted to share information about a request for a GAO study or, in some cases, to be identified as the source of the request. It was our policy in the past to adhere to such wishes, causing concern to some Members. Concerns also have been expressed about our policy of complying with requesters' wishes to issue a report without first giving the affected agency an opportunity to comment.

Finally, the subject of GAO detailees was an issue during last year's house floor debate on our appropriation. Pursuant to statute and the rules of both Houses, GAO is authorized to provide staff members to assist committees for periods not to exceed 1 year without reimbursement or numerical limit. Although assignments are generally made in the name of the chair of the committee, no ranking minority member has made a request for a GAO detailee that has not been satisfied. Problems arise when committees request numerous detailees or ask to have detailees extended beyond the 1-year statutory limit.

To address these concerns, and after discussions with the leadership and a number of senior Members of both houses, we have made what I believe are some very positive changes.

- First, we have strongly reinforced our policy of including minority Members and their staffs in early discussions of GAO strategic plans to ensure that we are considering their interests and priorities and that they are aware of the objectives, focus, and strategies for our work in their areas of interest.
- We also decided last year that GAO would no longer undertake assignments in which the requester was unwilling to be identified as the source of the request. We will, of course, continue to treat confidentially any aspect of an assignment in which disclosure could jeopardize the success of ongoing work or be otherwise inappropriate.
- Last year, we began sending a monthly listing of all new job starts to the Senate and House majority and minority leadership. This was in response to a requirement in the conference report on the fiscal year 1992 legislative appropriations bill. This listing, along with identifying requesters, when asked, will allow congressional committees and Members to become aware of new GAO assignments early and, if they desire, to seek further information about the work from the requesters themselves. We will also provide, upon

request, a listing of the ongoing committee work being done for a given committee to the chairman or ranking minority member of that committee.

- Although we have long taken the position that Hill assignments are an important and valuable experience for our staff and that detailees provide a valuable service to the Congress, some of the difficulties involved in providing that service have caused us to rethink our specific policies. We have worked with committee and subcommittee leadership to reduce the number of congressional detailees and are strictly adhering to the 1-year statutory limitation. For example, at the end of the second quarter of last year, we had 63 detailees assigned to committees and subcommittees, but by the end of the second quarter of fiscal year 1993, we had only 29 staff members on congressional details.
- We are reemphasizing to our own staff, as well as to congressional requesters, the value of agency comments in ensuring the reliability and objectivity of our reports. In particular, we are strongly encouraging requesters to allow us to provide the agency head an opportunity to review and comment on a draft report when the issues involved are significant or controversial. When this is not acceptable to the requester, we will make every effort to fully and candidly discuss the results of our work with senior agency officials before issuing our final report.
- Some congressional requesters choose to limit the distribution of our final reports for up to 30 days before copies are sent to anyone else. To expedite the communication of our work results to other interested parties, including other Members of Congress and affected agencies, we would prefer to reduce the maximum 30-day restriction period. However, we have been reluctant to do this unilaterally, because some requesters feel this restriction period is helpful. Some requesters have indicated, however, that they might be willing to agree to a shorter restriction period if GAO could let them know, in advance, precisely when they will receive a final report. To address this concern, we are currently exploring ways to improve the reliability with which we can predict report issuance dates.

GAO's role in relation to major policy issues has also been questioned. Taken as a whole, the scope of GAO's work embraces the most important issues facing the nation and, therefore, must inevitably deal with issues of policy that underlie the operations it examines. We receive hundreds of requests each year (from both majority and minority Members) that expressly ask us to examine matters that deal with virtually every significant question faced by the Congress. In answering these requests, two fundamental principles guide GAO. First, GAO recognizes that its role is advisory only and that the ultimate responsibility for deciding policy lies with the Congress and the executive branch. Second, we deal with these issues only as they logically flow from our work. Thus, GAO invariably presents its positions in a balanced manner, often including a range of options for the Congress to consider. Finally, I want to say without qualification that while GAO may favor a specific course of action based on its analysis of relevant information, it never promotes a particular position on the basis of political or ideological considerations.

Pursuing Total Quality Management

I understand that the Committee is interested in knowing about any additional changes we would like to see that could improve GAO's effectiveness to Congress. To do this I'd like to begin by describing our efforts to implement total quality management (TQM) within GAO. Our future success, like that of every vital organization, requires both a willingness to change

and a commitment to continual improvement. As you know, total quality management is a leadership philosophy that sets the quality of products and services as the primary goal for an organization and adopts continual improvement as a way of life. It offers a comprehensive approach to managing that has helped both public and private sector organizations make significant improvements in quality and efficiency. A key to success is the involvement of every employee in quality improvement efforts.

We are in the third year of our efforts toward implementing the total quality management concept at GAO. We decided to explore this approach after our 1990 study of total quality management in 20 high scoring manufacturing companies from among those competing for the Malcolm Baldrige National Quality Award. What we found was that these firms were successfully building quality into their products throughout their processes. And while improving quality, they also achieved higher productivity, greater customer satisfaction, and better employee relations. When we saw what total quality management had accomplished in the private sector, we decided to investigate what it might do for GAO. During 1990, we visited a number of companies and government agencies that were using TQM practices.

Late in 1990, we decided to go forward with our program, because we were convinced by our research that it could help us improve our processes and thereby our service to the Congress. We spent 1991 building our quality infrastructure and carefully developing our plan. In April of that year, we established a high-level Quality Council made up of senior managers to direct and guide this long-term effort. We also developed our first implementation plan setting three major goals--to survey our customers, begin to analyze key processes, and train our staff about TQM concepts and practices. We learned from our customer survey that we could improve our communications with Congress--and that our responsiveness and the way we set our work priorities needed attention.

We now have identified four key priority areas that will guide GAO over the next several years:

1. Improve our relationships with the Congress.
2. Improve the efficiency of our work and processes.
3. Increase support of various GAO components to meet the needs of the Congress and our other customers.
4. Increase the value of GAO by doing things more efficiently and promoting dollar savings to the taxpayers.

CHANGES IN OUR RELATIONSHIP WITH CONGRESS

You also asked if there were changes in GAO's relationships with Congress that the Committee should consider in drafting its recommendations. In answering that question, I would like to address several areas in which you are either considering changes and/or have already heard testimony.

Controlling the Quantity and Mix of Support Agency Work

The first issue involves the question of the mix of work that the support agencies perform for the Congress. It has been said that because there is no cost to congressional requesters for the work we undertake, there is no incentive for Congress to focus resources on high priority work. While this has always been a matter of concern, and particularly in a time of scarce resources, I noted earlier that GAO has taken steps that we believe have been effective in reducing low priority work, and we will continue to work on this issue. Further encouragement, however, from this Committee to have Congress channel request work through the committee structure and encourage bipartisan cooperation on work related to important program issues would be welcomed.

We have considered proposals put forward by others to create a board to screen or approve the requests we receive or to create a voucher system that would ration committee access to support agency services. As an agency that is asked to undertake a large volume of complex work, we are concerned about the administrative practicality of these mechanisms. We would, of course, be willing to discuss such proposals further if you choose to pursue them.

I would caution you, however, regarding any approach that would limit our ability to negotiate the scope of work requested of us or our flexibility to undertake work on our own initiative. Such measures are tantamount to "muzzling the auditor," which has led to disastrous consequences in both the private and public sectors.

Downsizing

Any significant downsizing presents a daunting management challenge, which we would face along with the rest of the federal government. Reducing the deficit is the most serious problem facing government today, and it is difficult to conceive of a solution that does not reduce the size and cost of government. In addition, quite independent of the budget problem, many citizens have lost faith in their federal government. We, therefore, face a very difficult task--to create a government that is smaller and less expensive, but that is also efficient and responsive. We must do more with less.

GAO is willing to do its part, but I would like to clearly state that, in my view, drastically reducing GAO's staffing level would be penny wise and pound foolish. For several years, we have been emphasizing work that can reduce spending; improve cost-effectiveness; and eliminate fraud, waste and abuse. Over the last 10 years, every dollar invested in GAO has been returned many times in measurable financial benefits.

On the other hand, GAO's staffing has been relatively fixed at about 4,900 to 5,100 employees since the early 1970s, while our potential audit universe--measured by the number of federal programs and overall budget expenditures--has gone up geometrically. Looking at the federal budget for example, in the early 1970s, federal spending was just over \$200 billion as compared to nearly \$1.5 trillion today. We have also seen myriad new federal programs, greatly complicated state/federal relationships, and huge increases in the complexity of tax laws and federal regulations.

Perhaps the most important issue regarding downsizing is how it is accomplished. At GAO, downsizing has already begun--our staff year ceiling was reduced to 4,900 for this fiscal year, and it is likely to be reduced more during the next 2 years due to funding constraints. We

can do this successfully and without jeopardizing our effectiveness, as long as it is done slowly and with predictability.

If it is done haphazardly or too quickly with a single draconian reduction, we will lose talented and experienced people, thus reducing our technical and subject area expertise that have taken years to develop. It would also do violence to the gains we've made in building a diverse work force, which is much more representative of American society today than it was just 10 years ago. As you probably know, I am now working with the Appropriations Committees to achieve the flexibility we need to manage our reductions at GAO.

Congress must also realize that a smaller GAO would mean fewer reports and testimonies in the future.

Modernizing ADP, Communications, and Facilities

I also understand that a major issue the Committee will take up later this month is the role information and communication technology can play in increasing legislative branch effectiveness. Earlier, we discussed the progress we have made in computerization, publishing technology, and communications, including video conferencing, as well as our efforts to modernize our facilities. These enhancements have been crucial to our successful efforts to respond to increased demand for our services and to improve the quality of our products and services. They have also allowed us to be much more responsive to the Congress on time-sensitive assignments.

Without these modern technological tools, we would not have been able to respond to an increased work load while maintaining the same staffing levels. On the other hand, budget stringency is making it increasingly difficult for us to implement our strategic plans in the area of technology. The point I'd like to stress then, is that given the rapid pace of technological change, the desire to downsize and the likelihood that the work of Congress will become even more complex, legislative branch investment in equipment, technology and facilities is a necessity, not a luxury.

External Review

During the last several years there has been much discussion of the need for or desirability of an external quality review of GAO. I have supported this idea and, as noted earlier, have attempted to have an external peer review conducted. The recent decision by the Senate Governmental Affairs to fund a study by the National Academy of Public Administration is a very positive development, and we believe that periodic, external peer review should be incorporated in GAO's overall review process.

Better Oversight

The last issue I'd like to address is also one the Committee is considering. Much of our value to the Congress is our assistance in oversight of the executive branch. We believe that GAO could be more useful to the Congress in exercising its oversight responsibility if the committees of jurisdiction were encouraged to hold comprehensive oversight hearings on all major agencies annually or perhaps once during each Congress.

Such hearings would utilize agency Chief Financial Officers' annual reports, the agency's audited financial statements, and annual reports on the adequacy of their internal controls, as well as evaluation and investigative work performed by GAO, the other congressional support agencies, and the Inspectors General. Federal agencies would also report on their progress against specific goals and provide information on the kind of performance measures envisioned in the draft Government Performance and Results Act now under consideration by Congress.

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In closing, we believe that the investigative and analytical work we perform is more and more at the forefront of congressional efforts to deal with the most important issues facing our nation. As we move further into the last decade of the 20th century, it is clear that new issues are emerging to challenge policymakers. Dealing with such issues in the face of a severe budget deficit will require your best thinking. I believe strongly that GAO has the expertise to assist the Congress in that task. At the same time, I am aware that in a period of budget stringency we must, and we intend to, make the best use of our resources.

As you consider the functions and roles of those staff and agencies who support the Congress during this period, I would ask you to remember two key points. First, well over 99 percent of federal spending is managed by the executive branch. Second, effective oversight and evaluation is critical to the efficient functioning of government. As we downsize, Congress must make difficult and critical decisions for which reliable information and analysis is indispensable. Thus, drastic cuts in legislative branch spending would have limited impact on the deficit, whereas providing adequate analytical and staff support to Congress as they make difficult decisions on high cost programs and other major issues could be an investment that pays great dividends for the American people.

This concludes my prepared remarks. I will be happy to answer any questions you or other Members of the Committee may have at this time.

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