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Transition Issues:
Critical Issues and Problems Facing the
New Administration and Congress

Statement of
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Before the
Committee on Governmental Affairs
United States Senate



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We are pleased to appear before the Committee to offer our views on critical issues the Congress and new administration must deal with if government is to function well.

Our message is not too optimistic. I wish I could tell you that the problems we face in our government operations are small and easily solved. The truth is that our problems are major, they are growing and they will not be easily or quickly dealt with.

The essence of federal management is policy implementation and delivery of program services. And a failure to invest sufficiently in key operations of government leads to a number of unpleasant consequences. First, it undercuts our ability to offer the American people the one thing they have every right to expect--a government that works well in providing services. Second, because government operations affect our dealings with other nations--in areas of trade, diplomacy, law enforcement, defense and others--such a failure has international ramifications. Third, because government operations are linked with the smooth functioning of the private sector the nation's business community is inevitably affected when we fail to invest in the central operations of government.

Unfortunately, GAO's work over the past decade has shown too often that we have not invested wisely in key government operations. The budget deficit and our reluctance to deal effectively with it have resulted in too many short-sighted

decisions.

We summarized many of the areas we believe have to be addressed in our 26 transition series reports issued in November to the Congress and incoming administration. These reports were based on work we have done over the past decade examining major issues and problems in the executive departments and agencies. Our purpose in doing the transition series was to succinctly summarize the major issues in a readable fashion. We wanted to facilitate the ability of the Congress and the new administration to focus on key issues needed to improve the functioning of the government. Attachment I of my statement lists the 26 reports.

To help the Committee identify specific topics addressed in the reports and better appreciate the broad scope of this effort, I am submitting for the record a paper that outlines the more than 100 issues and problems addressed in all of the 26 transition reports.

THE BUDGET DEFICIT

Unless the deficit is solved--including finding ways to finance the growing list of unavoidable, but so far unfunded, costs--it will hamstring our ability to achieve other vital policy goals. There are no quick or painless solutions to the budget problem.

And to compound the difficulty, the budget problem is substantially worse than appears on the surface.

The reported deficit understates the real situation. In 1988, for example, the reported deficit of \$155 billion actually consisted of a surplus of \$97 billion in the trust funds and a deficit in the general funds of \$252 billion. In addition, there is an explosion of unfunded costs, much of which are unavoidable. For example:

- We estimate that it will take at least \$85 billion more to solve the savings and loan crisis. Much of that money will have to come from the taxpayers.

- We estimate that it will take from about \$100 billion to \$150 billion to enable the Energy Department to clean up and modernize our aging and environmentally hazardous nuclear weapons production complex.

- Several agencies are undertaking badly need modernization of key computer and telecommunications systems, involving substantial capital investment and operating costs. To give Americans the service they expect, we must successfully design and install modern systems such as those at IRS, social security, and FAA.

Even though DOD will likely have to live with constrained budgets, each of the military services says it needs billions of dollars more to complete its modernization and expansion programs. Major weapon systems are experiencing cost overruns and technical problems which will have to be funded and solved.

The budget problem requires a carefully developed, politically sustainable, multiyear budget strategy. All parts of the budget should be negotiable. The goal should be to reduce the deficits in the general fund and to move toward approximate balance or surplus in the unified budget at a steady, sustainable pace. The negotiations must work with realistic estimates of costs -- including recognition of known budget threats -- and with credible economic forecasts. Additional revenues are probably an unavoidable part of any realistic strategy for reducing the deficit.

KEY GOVERNMENT OPERATIONS

The examples of unavoidable, unfunded costs I just noted illustrate how we are falling behind in the investment needed to keep the most basic of our government programs on track. They are broadly representative of the strains now being placed upon key federal programs, largely as a result of the deficit.

When I talk about investment in systems and people I am speaking broadly. Systems means more than computers; it also takes in such considerations as management structure and regulatory administration. It includes all those things that are essential to the successful operation of any program or organization. Similarly, investment in people means more than hiring workers or paying them higher salaries; it means fostering strong leadership, high morale, and a commitment to excellence and service.

Let me take several program areas and discuss some of the fallout from the deficit and the disinvestment in people and management systems that has occurred.

The Savings and Loan Crisis

Reform of our financial institutions in the wake of the 1929 stock market crash and the Great Depression was a major achievement.

By and large, the reforms of the 1930s served us well for many decades, providing stability, protecting consumers, and fostering confidence.

Then, a decade ago, the situation began to change. Interest rates surged, putting pressure on banks and the thrift industry

to finance riskier but potentially more lucrative investments. Meanwhile, distinctions among financial institutions began to blur. Not only did savings and loan associations begin moving away from traditional home mortgages into areas normally reserved for commercial banking, but loopholes in regulatory law allowed others to open "non-bank" banks.

A textbook case of how things can go wrong in the regulation of the financial services industry can be found in the Federal Home Loan Bank Board and its Federal Savings and Loan Insurance Corporation, which insures S&L deposits.

Early in this decade, S&Ls were allowed to move into new and risky areas. "Deregulation," it was argued, would allow flexibility for thrifts to compete effectively in the new economic environment in which they found themselves.

However, the government failed to invest in better regulatory systems to supervise a changing thrift industry and in the skilled people needed to more closely keep tabs on individual institutions. OMB, in a very short-sighted decision, denied the Bank Board's request for more staff. This lack of supervision was a prescription for disaster: poor management, risky loans, and outright fraud severely weakened the industry, especially in the Southwest, where the collapse of the oil and gas and real

estate sectors worsened the situation. More than 500 thrifts are now insolvent.

Coping with this disaster will cost billions of dollars. Our estimate to close or merge insolvent S&Ls place the cost at \$85 billion more than FSLIC's available resources. Some estimates place the figure as high as \$100 billion or more. While healthy thrifts will pay part of the cost, the taxpayers will undoubtedly be forced to provide billions of dollars to finance the most extensive and expensive bailout in history.

Without fundamental change in the way the industry is regulated, there is little to prevent a recurrence of today's problems tomorrow. Correcting the problem that has been allowed to develop will require the industry to accept stringent standards which will be difficult for many individual S&Ls to meet. But in return for a taxpayer bailout, the Bank Board regulatory system must be replaced by a new structure. A new structure must put a priority on the safety and soundness of the system and sweep away the schizophrenic position of the Bank Board as both an industry advocate and regulator.

A reinvigorated regulatory environment must also include a commitment to personnel, including an enlarged corps of skilled examiners capable of finding and identifying problems before they get out of hand.

Implementing such an agenda will be very expensive. But it is the kind of investment we cannot afford to put off.

The Nuclear Weapons Complex

Let me turn, Mr. Chairman, to an area where you have devoted considerable personal attention and have been instrumental in bringing to the forefront of public policy issues--the enormous problems facing the nation's complex for producing nuclear weapons. As you well know, a vast federal investment is going to be needed to repair environmental damage and restore safe production capability.

Since World War II, nuclear weapons have played a dominant role in the nation's defense strategy. The Department of Energy oversees production of weapons in a complex of some 50 facilities located around the country. Despite the fact that nuclear weapons are a principal element of the nation's security, the facilities used to produce them have deteriorated and today present serious operational, safety, and environmental problems. We estimated, in our October 1988 testimony before this committee, that the investment needed to correct these problems will likely exceed \$130 billion. Modernization plans under consideration, which include expanded plant capabilities and relocation of some facilities, could add at least another \$15 billion to \$25 billion.

Serious problems continue to surface at the nuclear weapons complex. These problems include:

- Questions about the emergency cooling systems and seismic bracing at government reactors;
- Deteriorating equipment and buildings, many at or beyond their expected lifetimes;
- High levels of groundwater contamination;
- Serious accidents that have been hidden from public scrutiny;
- Inadequate radiological protection programs at buildings that process plutonium; and
- Unanticipated shutdowns of nuclear operations due to safety and health concern.

In addition to upgrading the complex, essential tasks include (1) decontaminating obsolete facilities, (2) disposing of stored radioactive waste, and (3) cleaning up environmental contamination. In March 1987, we called for DOE to develop a strategic approach for prioritizing and addressing problems at the nuclear weapons complex; the Congress then mandated this study in the Defense Authorization Act for Fiscal Years 1988 and

1989. While DOE has reported to you on environmental problems at a number of its facilities, it has not yet issued the results of this mandated study. We will be following this issue closely and plan to review DOE's study when it is published.

While safe and modern facilities are essential, so is effective management. For several years, we have voiced serious concerns about the effectiveness of DOE's management and safety oversight of the weapons complex. In concert with developing its modernization strategy, DOE must strengthen its internal program for managing the complex. DOE needs to establish meaningful safety standards and emphasize to line managers their responsibility and accountability for dealing with safety and environmental problems.

Even with improved management, independent external oversight for the health and safety activities of DOE's nuclear facilities is essential. Your bill, Mr. Chairman, which subsequently became P.L. 100-456, established the Defense Nuclear Facilities Safety Board to fulfill this purpose. However, some production and waste storage facilities are exempt from the Board's oversight. Given the sensitivity of public concerns about nuclear power and DOE's track record, we believe that such oversight may need strengthening.

Finding the funds required for correcting the nuclear weapons complex will not be easy. But additional delays will only worsen the situation.

Defense

The military budget doubled between 1980 and 1985, and many observers -- myself included -- have long argued that many of the problems at the Pentagon stem from a buildup that was too much, too fast. Indeed, any realistic view of the budget debate would indicate that billions of dollars in weapon systems now on the drawing boards or underway will have to be cut to meet the spending limits that Congress will likely impose in coming years. Much of the debate over the defense budget has focused on hardware --the tanks, ships, and planes -- that claims the lion's share of the defense budget, while skirting questions about flawed management systems, antiquated personnel policies, and poor planning. For example, we may decide it is too expensive to build all the ships that the Navy wants. We need to have the management systems that would allow the Navy to design, build, test, and procure better ships with the limited resources it is allocated.

Over the past several years, we have identified numerous problems at the Pentagon. We've reported on dollars spent for unneeded inventories, on technical problems and cost overruns on major

weapon systems, such as the B-1B bomber and the new air-to-air missile -- the AMRAAM -- and on inadequacies in the testing of new weapons. All of these problems and more have their roots in management systems that do not work well and/or in difficulties attracting, retaining, or effectively using quality people at all levels -- both military and civilian.

In short, DOD needs to balance strength with affordability and needs to pay greater attention to management systems and assuring it has highly qualified and experienced people to manage what is perhaps the most complex organization in the world. Steps that DOD and the Congress will need to take include the following.

1. Reduce and realign planned programs. In so doing, cancel marginal systems and delay systems not ready for production. Do not continue to buy new weapons at inefficient production rates which increase costs. Also, avoid the tendency to cut operation and support funds, which results in weapons that cannot be adequately supported.
2. The Secretary of Defense must provide sound fiscal guidance to the services. This will help ensure that requirements are realistically balanced with funding availability and that the 5-year defense program reflects achievable goals. Fiscally achievable defense plans contribute to greater program stability. Program instability has long been recognized as a

severe problem in managing weapon system programs.

3. Strengthen management and internal control systems. DOD is often too reactive rather than proactive in implementing its internal control programs. For example, DOD has billions of dollars of unneeded inventories, while, at the same time, certain U.S. forces are seriously short of such critical supplies as high-tech munitions and medical and petroleum supplies. Industry also needs to be closely examined to ensure that it has adequate internal control systems. It may be time to consider legislation which would require annual management reports by major contractors on their internal controls and an independent public accountant's opinion on management's representation.
4. Look for common missions and families of equipment to achieve greater efficiency. We have developed a variety of systems to accomplish the same mission. While some variety may be desirable, we must exercise greater restraint because we cannot afford to replace weapon systems on a one-for-one basis.
5. Improve operational test and evaluation (OT&E) of the weapons. The usefulness of OT&E in estimating a weapon system's performance has been limited because of insufficient resources to conduct testing, deferral of certain critical

tests until after the production decision, failure to simulate realistic battlefield conditions during testing, and acceptance of products which do not meet the test criteria. There is a need for greater vigor in OT&E and greater oversight over OT&E by the Office of the Secretary of Defense's Office of the Director of Operational Test and Evaluation.

6. Assess manpower and compensation systems, including retirement, with the goal of reducing costs. The cost of military personnel, including retirement, represents about 26 percent of the DOD budget. It is becoming too expensive to recruit, train, and retain highly skilled personnel and then have them retire at the peak of their careers. The average retirement age for enlisted personnel in 1987 was 41. The average for officers was 45.

Reducing costs, however, should not be the only goal of this assessment. Given the magnitude of the funds involved, the complexity of the tasks, and the criticality of the mission, DOD also needs civilians of high quality and integrity and with sound qualifications and experience. Along these lines, increasing the professionalism of DOD's procurement workforce, which has often been outgunned by experts employed by contractors, is sorely needed.

7. The Secretary of Defense needs to carefully consider the long-term cost implications of adding new weapon systems to the DOD inventory. This need is perhaps best illustrated by the decision made in the early 1980s, at a time when DOD expected continued budgetary growth, to bring four World War II battleships back into the fleet. While the activation costs for these battleships were significant (nearly \$2 billion), it will cost even more to operate and maintain them. For example, this year alone, three of the reactivated battleships will cost over \$150 million to operate and will require about 4,600 Naval personnel. This comes at a time when defense costs must be contained.

8. Rethink the viability of U.S. worldwide commitments and current levels of U.S. allies' burdensharing. The rising costs of our worldwide commitments, in the absence of increased burdensharing by our allies, may simply be unaffordable. Any reassessment of our commitments should consider force structure reductions.

Environmental Cleanup

Significant inroads have been made over the past 20 years in addressing a host of environmental problems that have plagued the nation. However, environmental inquiry continues to identify additional threats to human health and the environment, such as

indoor radon and stratospheric ozone depletion. Further, it has become increasingly evident that solutions to such problems are more complex than initially envisioned. Better management of the nation's environmental programs, requiring the efforts of both the Environmental Protection Agency and the Congress, will be needed to meet the challenges in the years ahead.

The situation facing EPA is especially complex. Rather than directly operating certain programs, as FAA and the Department of Energy do, EPA is largely responsible for assuring that others--the private sector and state and local governments--comply with environmental regulations. EPA relies heavily on the states to accomplish its mission. Moreover, the complex interplay of individual pollutants requires comprehensive regulatory strategy.

This situation poses a management challenge that cannot be solved by an investment of funds alone. The nation's environmental program must be managed with greater emphasis on achieving measurable environmental results. Specifically, EPA needs to

- develop quantitative indicators of environmental quality and establish specific environmental goals;
- link these goals to planning, budgeting, and financial management systems; and

-- forge a new relationship with the states for carrying out the nation's pollution abatement efforts.

Our work in the hazardous waste area is illustrative of the problems facing EPA. The Resource Conservation and Recovery Act of 1976 required EPA to, among other things, identify and develop regulations for controlling hazardous wastes and ensure compliance with the regulations. While EPA has identified more than 450 specific wastes, the potential universe is much greater. We found that EPA's limited progress in regulating additional wastes is due to its lack of focus and an absence of a comprehensive program strategy. In 1988, we recommended that EPA establish specific, measurable long-term goals for its waste management program and strategies for accomplishing them.

One of the most troubling aspects of EPA's hazardous waste program is that federal agencies, which might be expected to be models of compliance, have very poor compliance records. For example, DOD has estimated that cleaning up military installations and bringing them into full compliance with hazardous waste standards could cost as much as \$14 billion.

Strengthening EPA's management of environmental programs will require close cooperation between the agency, states, and the Congress. We have called on EPA to consider revamping its relationship with states in monitoring and enforcing

environmental programs. It is also time for EPA and the Congress to work together in identifying the goals of environmental policy and determining the priorities for achieving long-term solutions.

The IRS

As the tax collector for the nation, the Internal Revenue Service deals with virtually every American, every year. The IRS once enjoyed a reputation for running the finest tax collection system in the world. It was emulated by other nations envious of its efficiency and of the American public's remarkable record of voluntary tax compliance. Many state and local tax codes were designed to complement the federal tax code, and local tax agencies looked to the IRS as a model for their own efforts.

Today, the IRS faces a number of worrisome problems, as management and program reviews by GAO have revealed.

One symptom of trouble is the fact that IRS examined 42 percent fewer returns in 1987 than it did in 1978 -- a decline from 2.3 percent to 1.1 percent of filed returns. The agency estimates that taxpayers will fail to pay more than \$87 billion in taxes owed in 1988, and that this amount could exceed \$100 billion by 1992. Fewer audits and lax collection and enforcement fuel a belief that many taxpayers are cheating the system, inviting public cynicism about its fairness.

To improve its enforcement efforts as well as the general efficiency of the agency, the IRS must invest heavily in new automated systems, replacing those designed 20 or 30 years ago. If you live in the Boston area, for instance, your return is processed locally by a very antiquated system. The data must then be sent to West Virginia, where it is entered into the central system. Finally, if you are due a refund, the Treasury office in Philadelphia must be notified to process the check. Each movement in this chain involves delay and invites errors. Today's automated systems are capable of far greater speed and efficiency. Designing, building, and installing new automation systems for the IRS is critical.

But better systems alone won't solve the IRS' problems; the agency must also invest in people. The IRS must attract top graduates in the accounting, legal and computer science fields--a task that is increasingly difficult as federal pay in these jobs lags behind the private sector more every year. While all government agencies face problems in competing for qualified people, the need is especially acute at IRS. If the agency cannot attract highly qualified people, it will surely find itself at a disadvantage in dealing with lawyers and accountants from private firms. For an agency so central to the operations of government, we can ill-afford outdated systems and a work force that is less than the best.

Air Transport and the FAA

One of the hallmarks of a modern industrial state is an efficient, effective, and safe transportation system. While railways, highways, and waterways remain important movers of goods and people, the airways are clearly our fastest-growing mode of transportation. Unfortunately, our airways today are often associated with congestion, delays, and a greatly increased concern about safety.

The simple truth is that air traffic growth has outpaced our investment in the facilities and people needed to manage it. Annual passenger air travel nearly doubled in the last decade, and is projected to nearly double again by the turn of the 21st century. The pressure on the Federal Aviation Administration to develop new or upgraded automated systems and hire significant numbers of controllers and other personnel is substantial.

In 1981, FAA unveiled its national airspace system plan for replacing aging air traffic control equipment. Initially envisioned as a comprehensive means of scheduling all capital improvements needed until the year 2000, this plan represented the largest civilian technology project since the Apollo space program. On the basis of projected costs and schedules, legislation was passed to ensure financing by the Airport and

Airway Trust Fund, through such sources as an 8-percent tax on passenger tickets.

Today, the plan no longer represents the full extent of needed modernization. While some new projects have been incorporated, others have not. We have estimated the cost of all modernization projects at \$25 billion by the year 2000, more than double the original plan estimate in 1981. That projected cost far exceeds existing reserves in the Trust Fund. The adequacy of Trust Fund revenues to finance continued modernization cannot readily be determined. So that this may be done, the National Airspace System plan needs to be revised to reflect the totality of modernization projects together with associated costs and schedules.

FAA also needs to step up its investment in people. Seven years after the 1981 air traffic controller strike, fully qualified controllers number almost 4,000 fewer than before the strike. Moreover, some 4,300 technicians who maintain air traffic control equipment -- over half the current work force -- are expected to retire by 1995.

FAA has underestimated its staffing requirements for three critical workforces -- air traffic controllers, aviation safety inspectors, and maintenance technicians. Without adequate staffing standards, FAA has not been able to ensure that its

budget requests reflect actual needs and, in fact, the Congress has approved funding levels that differ from those requested. In addition to reliable staffing standards, FAA needs a clear recruitment policy and a coordinated recruitment program if it is to overcome difficulties and attract and retain a high-quality workforce.

With air transport increasingly important to both commerce and the traveling public, delays in bringing to fruition the new systems and hiring skilled personnel will only aggravate a system already stretched thin.

WHAT MUST BE DONE?

What must be done? We certainly do not pretend to have all the answers. However, our series of 26 transition reports do provide some suggestions.

Addressing the budget deficit is clearly the first and foremost action that must be taken. If we procrastinate or fail, the nation's economic future will be at risk and our ability to deal with operational problems and crises that are bound to occur will be imperiled. Our first transition report lays out an approach for Congress and the administration to begin addressing the deficit.

Additional revenues are probably an unavoidable part of any realistic strategy for reducing the deficit. Our third transition report discusses revenue options frequently proposed. Because each option alone has some drawbacks, a combination of these options could emerge.

Both Congress and the administration must begin to view and address problems from a longer term perspective, rather than focusing on short-term consequences and "quick fixes" that often result in even more serious problems down the road. Both central and line agencies must assume responsibility for operational problems.

Something is basically wrong with our approach to making budget and management decisions to have allowed such problems as I described earlier with our delivery of vital government services to have existed so long. OMB is a key agency that needs to change to improve this situation.

In reality, OMB's approach is a product of the way the entire government looks at problems and issues. Presidents, the Congress, and agencies also have to share the responsibility. The budget deficit and our reluctance to deal effectively with it have resulted in too many short-sighted decisions.

But OMB is the key agency in the executive branch that should have the foresight and perspective to understand the long-term implications of not adequately addressing key problems. Unfortunately, OMB's history has mitigated against it taking that perspective. And, partly because of that, poor decisions have been made. Focus on the short-term consequences of actions -- as we did in the savings and loan area -- has often resulted in long-term problems of an even larger magnitude than imagined.

To help reverse the disinvestment in people and management systems that has occurred, I would like to point the Committee's attention to four of our transition reports that deal on a governmentwide basis with this issue. They contain a variety of specific suggestions for governmentwide consideration on how to attract quality people for the public service and improve the way government manages its major computer and telecommunications systems, financial and budget affairs, and program evaluation information.

For example, as a foundation for dealing with the "people problem," our report on the public service urges a rebuilding of the image of the public service, changes to address the pay and benefit structure, and making ethics in government a priority of political appointees. We cannot continue to expect to make

progress in this area by saying that all solutions must be "budget neutral." We also cannot continue to require that agencies absorb the costs of all pay and benefit increases. OPM needs to take a more effective leadership role in helping assure that the federal workforce is up to the task at hand.

To manage costly, and often one-of-a-kind, federal computer systems effectively, our report on information technology issues urges greater agency top management attention to the role and importance of strategic planning and the need to control specific projects through each phase of initiation, development, and operation. Currently, there is a governmentwide shortage of technical staff in this area. To deal with this situation, we urge in this report the establishment of special salary scales for technical personnel, along with other actions.

There are many facets to be considered in improving the government's financial and budget affairs. Overall, I believe a broad restructuring and rebuilding of our overall financial management structure is essential and deserves a top priority of the new administration and Congress. To be most effective, reform must be governmentwide, serving the needs of both Congress and the executive branch. As discussed in some detail in our transition report on financial management issues, modernizing the federal financial management structure means we need to consider restructuring the budget to include capital and operating

subtotals, sound financial accounting and reporting, effective internal controls, and strong auditing of financial information and program operations.

One issue in this transition report I would like to emphasize is the need to restructure the budget to give greater visibility to separate totals for capital expenditures and for the operations of the trust funds. Over the years GAO has pointed out the need for improvements in the structure and content of the budget. For example, in testifying last year before this Committee I said that particular attention needs to be given to developing a budget that better distinguishes between capital and operating amounts. I noted that by combining capital and operating amounts, the current budget structure blurs an important distinction which can result in a bias against major long-term investments, such as replacing the government's antiquated computers and systems. Some of the very costly modernization projects discussed in our transition reports, which I have already mentioned, further point out the need for a separate budget for proposed long-term capital expenditures.

More recently, in our transition report on the budget deficit, we pointed out the extent to which the large and growing surpluses in the Social Security and other trust funds are masking the continuing huge deficit in the general operations of government. As I noted earlier, the fiscal year 1988 deficit was much less

because of the \$97 billion in trust fund surpluses. For fiscal years 1989 and 1990, the estimated trust surpluses of \$116 and \$127 billion mask the deficit even more.

Our report on program evaluation issues points out that with few exceptions program evaluation and data collection capabilities have been gravely eroded in the executive branch. The infrastructure -- the capacity for program evaluation -- has to be rebuilt in some agencies. Resources need to be dedicated to program evaluation. Priorities need to be set. And honest full reporting of problems and potential solutions, both to agency policymakers and Congress, is needed.

In all of these areas OMB and key line agencies have roles to play. OMB needs to understand much better the problems agencies have and what it takes to solve them. It needs to work closer with the agencies to develop a longer term financial and management strategy to get there and better explain to the President and Congress the consequences of not following the longer term strategy. It needs more professionals to do this job well. Teams which blend program and management expertise during the budget process are critical to successfully changing OMB's approach. Equally important, however, is the commitment of the President and OMB leadership to such efforts.

Another key to management progress is not to use just OMB, with its limited staff, to impose change or attempt to manage agency operations. Rather, the administration must enlist the commitment of the line agency executives to address difficult problems. OMB can play a useful role in (1) demonstrating the existence of a problem, (2) providing the necessary policy framework to guide agency efforts, (3) providing the external influence and support useful to agency officials in overcoming opposition to change within agencies, and (4) coordinating those issues which cross agency boundaries.

However, agencies bear primary responsibility for addressing their own management issues. OMB's efforts should not be seen as alleviating the accountability of agency heads for addressing agency problems and successfully carrying out long-term plans and programs within fiscal guidance.

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In conclusion, Mr. Chairman, many of the problems facing the Congress and new administration are critical and immediate. We look forward to working with your Committee to help the Congress address these problems.

This concludes my remarks. We would be pleased to answer questions.

TRANSITION SERIES

The Budget Deficit (GAO/OCG-89-1TR)

The Public Service (GAO/OCG-89-2TR)

Revenue Options (GAO/OCG-89-3TR)

Financial Services Industry Issues (GAO/OCG-89-4TR)

International Trade Issues (GAO/OCG-89-5TR)

Information Technology Issues (GAO/OCG-89-6TR)

Financial Management Issues (GAO/OCG-89-7TR)

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