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**GAO****Testimony**

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

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**FISCAL YEAR 1997  
BUDGET ESTIMATES****U.S. General Accounting  
Office**

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



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G A O  
**75** years  
1921 - 1996

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify on GAO's fiscal year 1997 budget request.

This year we celebrate the agency's 75th anniversary. While GAO's structure and operations have evolved over the years, its key role in helping the Congress in its legislative oversight responsibilities remains unchanged.

We see our mission as seeking to achieve honest, efficient management and full accountability throughout government. To accomplish this mission, we are prepared to follow the federal dollar wherever it goes and to evaluate the efficiency and effectiveness of federal programs.

During this past year, GAO has again demonstrated its high value to the Congress and the American taxpayer. In fiscal year 1995, the House and Senate asked us to testify nearly 250 times on issues ranging from budget savings, to fraud, waste and abuse, to proposals for reengineering the federal government. GAO's expertise across the full range of government programs and activities and its extensive past and ongoing audit and evaluation work have allowed the agency to respond quickly to changing congressional needs and priorities.

To meet the challenges of the upcoming year, the Congress will continue to turn to GAO for accurate information and unbiased analyses. GAO is in a unique position to help the Congress as it strives to cut the deficit and reexamine the objectives and structures of federal programs and initiatives. Committees in both houses have requested that GAO do work vital to their legislative agendas. Moreover, new and continuing statutory requirements necessitate that GAO continue to play a key role in improving government accountability and management.

GAO assists the Congress with a staff level of about 3,700 full time equivalent (FTE) positions for the current fiscal year. This level is down from 5,325 employees in 1992 and is GAO's lowest staffing level since before World War II. Although agencies audited by GAO have grown several times over as the federal government has grown in size and complexity, GAO has been able to fulfill its added requirements and responsibilities despite fewer staff by continually working to increase productivity, taking advantage of modern technology, and improving staff skills and expertise.

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## FY 1997 Budget Request

GAO is committed to being a model government agency of the future—smaller and at the same time achieving greater efficiencies through effectively using technology and modern management principles. Last year, the Congress directed a 25-percent reduction in resources for the agency over a 2-year period. In order to comply with this directive, we continue to implement initiatives to further reduce our resource level for fiscal year 1997. We have conducted a separation incentive program and an early retirement program, consolidated some of our issue areas at headquarters, closed several regional offices, and implemented a reduction-in-force of our administrative and support staff. We are also in the process of privatizing our supply function, and we have looked for other opportunities to use contract assistance. These actions will enable us to fully implement the directed 25-percent reduction from our fiscal year 1995 level in fiscal year 1997, and will result in a staff level of 3,500—a reduction of over 30 percent from our fiscal year 1992 level.

However, one problem has emerged. There is a risk that GAO will not have adequate resources to do its job in some key areas—particularly in financial accounting and information systems management. It is important that the agency have sufficient resources to carry out its Chief Financial Officers Act responsibilities and to support congressional efforts to reform the federal government's financial management systems. Staff skilled in these critical areas have left GAO in disproportionate numbers. Although we have reassigned remaining staff to the extent possible, a shortage of expertise in these disciplines remains. This problem is exacerbated because we do not have the funds necessary to acquire this expertise from other sources. Also, our program audit areas have suffered losses in key expertise and will require attention at some point.

Therefore, I am hopeful that the committee will consider providing us with some additional resources that will help us address this issue. I am sensitive to last year's commitment to reduce GAO's budget by 25 percent. I am also sensitive to the fact that the Committee wants to achieve that objective without seriously damaging GAO's ability to perform its core mission. Given our experience to date, I am concerned that further reductions, without taking steps to balance expertise, will adversely effect our ability to perform mission critical work.

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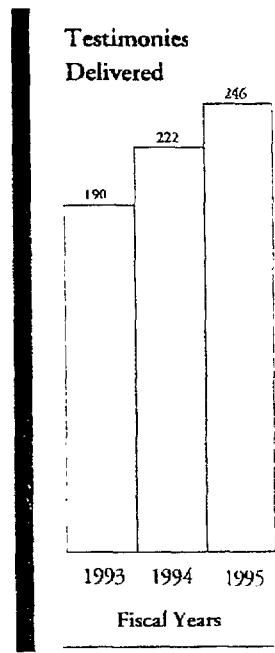
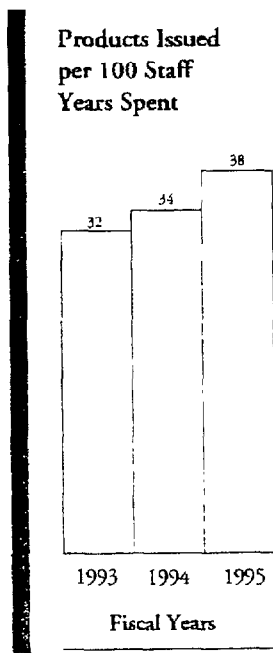
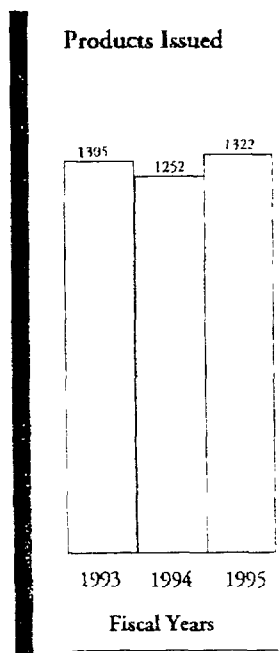
## GAO's Workload and Accomplishments

During this past year, GAO has maintained its productivity at high levels as the following chart illustrates. We produced 1,322 audit and evaluation products that cut across the full range of government programs and

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activities. These consisted of 910 reports to the Congress and agency officials, 166 formal congressional briefings, and 246 congressional testimonies. The productivity level for fiscal year 1995 represents a 6-percent increase over that for fiscal year 1994.

# GAO Maintains Productivity Despite Staff Reduction

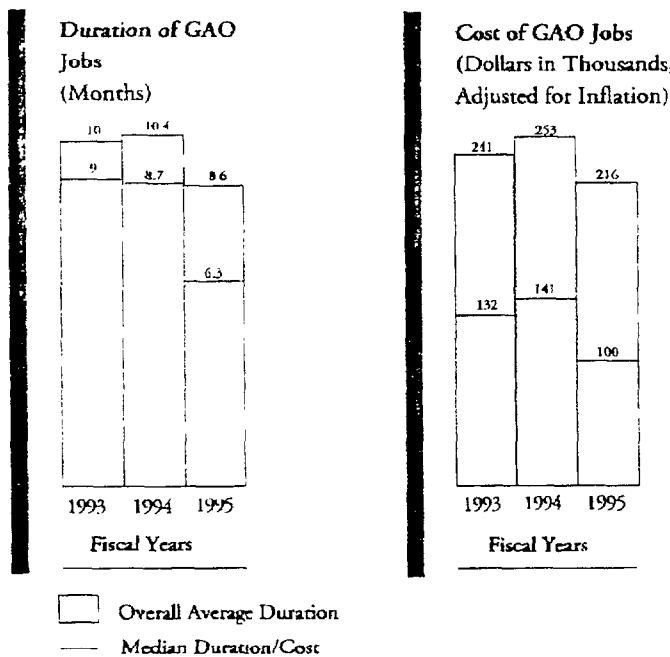


Moreover, when GAO's downsizing efforts are considered and its productivity calculated on the basis of output per 100 staff years spent, the product volume for fiscal year 1995 represents a 12-percent increase over that for fiscal year 1994.

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We also reduced the duration of jobs and their cost in order to handle a workload that has become larger and more technically and analytically complex. The chart below illustrates that in the key dimensions of job length and job cost, GAO's performance improved in 1995, thus providing better service to the Congress.

# GAO Improves Responsiveness and Lowers Cost of Jobs



The chart shows reductions in both the average and the median duration and cost of GAO's jobs between fiscal years 1993 and 1995. The median is the more important indicator since it is more representative of the time and the cost of a typical assignment. As the chart shows, GAO's median assignment duration dropped from 8.7 months in fiscal year 1994 to 6.3 months in fiscal year 1995, or over 27 percent. Similarly, the cost of a



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typical assignment during this period dropped 29 percent, providing the Congress with more cost-effective products and services.

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## **GAO as a Resource for Congressional Use**

We produce reports that address issues of national importance and contribute to congressional oversight and debate. Many of GAO's recommendations and audit findings result in or contribute to improvements in the effectiveness and the efficiency of government operations and services and have provided information and analyses on some of the most pressing and controversial matters faced by the Congress. As shown in the next chart, GAO documented nearly 200 of these accomplishments in each of the past several years, and more than 200 in 1995.

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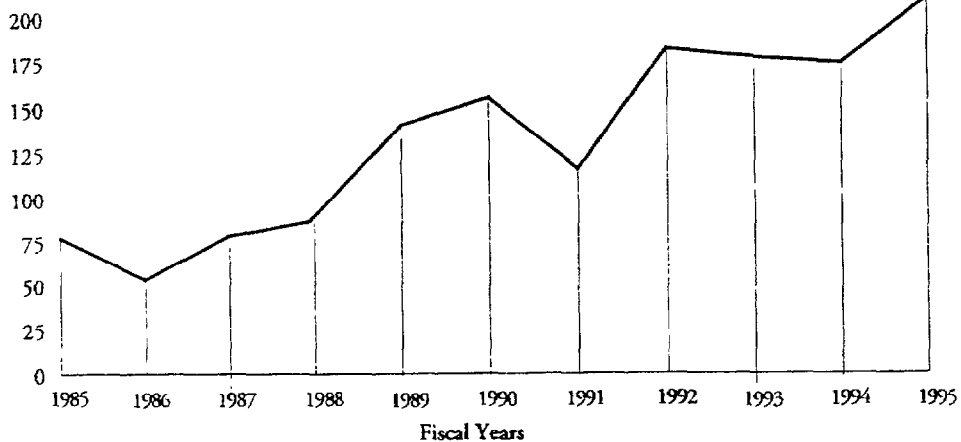
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# GAO GAO Recommendations Lead to More Effective Government

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Actions Taken as a Result of GAO Recommendations or Audit Findings



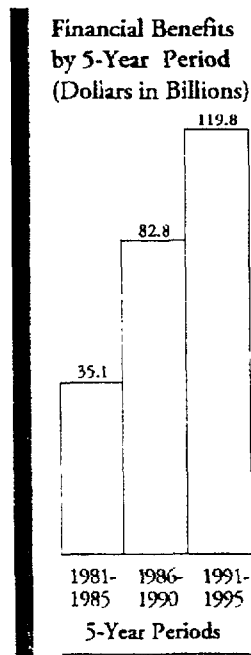
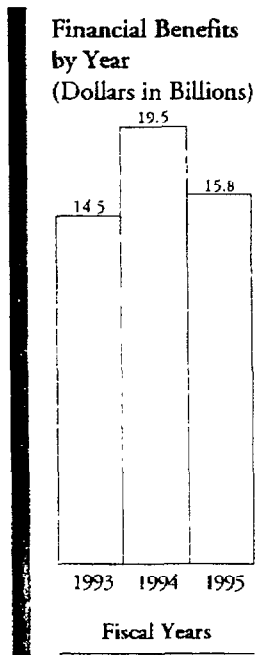
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Let me also direct your attention to the next set of charts that shows that in fiscal year 1995 alone, GAO identified financial benefits that totaled nearly \$16 billion—a return of more than \$35 for every dollar appropriated for GAO. The companion chart documents a steady upward trend in our

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measurable benefits in the preceding three 5-year periods. Between 1991 and 1995, financial benefits that either were directly attributable to or significantly influenced by our work totaled nearly \$120 billion, or about \$55 for every dollar appropriated for GAO. Given the importance of reducing the budget deficit, we keep financial benefits at the forefront of our work.

# GAO Financial Benefits for the American Taxpayer



I would like to discuss our work from this past year as well as the focus of our current and future work within the framework of our strategic plan entitled, Following the Federal Dollar, which identifies our five highest priority issues according to congressional expectations.

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## Promoting a More Efficient and Cost-Effective Government

GAO is in a unique position to help the Congress as it strives to reexamine the objectives and structures of federal programs and initiatives to cut the deficit. Committees in both houses have requested that GAO do work vital to their legislative agendas. Moreover, new and continuing statutory requirements necessitate that GAO continue to play a key role in improving government accountability and management. We are committed not only to making government cost less, but also to making it operate more efficiently and effectively. Although downsizing is one way to move toward this goal, it must be carefully planned and implemented—a process that demands the kind of objective and comprehensive information GAO is uniquely equipped to gather and analyze. We have, for example, studied defense force structure in light of decisions to reduce the size of the U.S. armed forces, tracked the results of previous downsizing efforts at the Social Security Administration and other agencies, and studied downsizing approaches taken by private organizations.

We have several audits and evaluations either under way or contemplated for the coming months that could yield significant savings for the federal government. For example, GAO will be identifying “best practices” to help streamline defense acquisition, procurement, finance, inventory management, maintenance and repair, and transportation; identifying more cost-effective ways to clean up the nation’s nuclear weapons complex; and evaluating proposals to achieve major reorganizations of the Federal Aviation Administration and Amtrak.

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## Exposing Fraud, Waste, Abuse, and Mismanagement

After the scandal at the Department of Housing and Urban Development in the late 1980s and the “Ill Wind” scandal at the Department of Defense, we began a widely publicized effort to identify and monitor programs at risk for fraud, waste, abuse, or mismanagement. Through scores of studies and two special series of “high risk” reports—the most recent of which appeared in February 1995—we have highlighted areas in which major improvements are needed to protect the taxpayers’ interests.

Priority work includes assessing payment practices under Medicare, in which losses could run into the billions annually; minimizing defaults in federal loan programs, such as student assistance and the Farmers Home Administration, in which loss exposure runs into the billions of dollars; and monitoring defense programs in which billions of dollars have been spent on unneeded inventory and millions of dollars have been incorrectly paid to defense contractors.

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Our emphasis on high-risk programs is paying off. The most recent high-risk reports confirmed that progress had been made in attacking the root causes of problems at 15 of the 18 programs we had identified through fiscal year 1994. Five of the 18 programs—the Bank Insurance Fund, the Resolution Trust Corporation, the Pension Benefit Guaranty Corporation, the State Department’s management of overseas property, and the Federal Transit Administration’s grant management program—are now on sound enough footing that we have removed their high-risk designations. In fiscal year 1995, we designated seven new high-risk areas, in hopes that increased focus afforded these areas will yield progress among them as well. The areas included monitoring multi-billion dollar information technology initiatives at the Internal Revenue Service and the Federal Aviation Administration as well as assessing improvements needed in the Defense Department’s financial management.

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## Targeting Spending Reductions to Reduce the Deficit

As the Congress works to balance the federal budget, one of its major challenges will be to cut federal spending over the next 6 years by a total of \$1 trillion or more. Every year, we work with the congressional appropriations committees to find potential savings in the administration’s proposed budget; generally identifying savings in the billions of dollars.

We also work with the budget and authorizing committees to find opportunities to save money by modifying, limiting, or abolishing entire programs.

For example, we are looking at ways to reduce the deficit in the \$160 billion Medicare program. We have identified savings that can be realized by better targeting federal payments to medically underserved areas. We have recommended changes to the collection of payments for those instances in which the government pays first but should pay second, for Medicare patients who have other health insurance coverage. And we have identified problems with the payment rates for reimbursements to risk-contract HMOs that provide services to Medicare beneficiaries.

Due to continuing rapid inflation in health care costs, major changes are underway in the delivery of health services—most notably the emergence of managed care, which holds promise for better cost control in the future. We have worked to identify ways for the Medicare and Medicaid systems to more effectively use managed care’s potential, such as better rate setting mechanisms for Medicare HMOs to avoid overpayments and better

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oversight of managed care systems to protect beneficiaries from inappropriate denial of care and federal dollars from payment abuses.

We have under way a number of reviews at the Social Security Administration to identify opportunities for program savings. Several reviews target fraud, waste, and abuse in SSA's Supplemental Security Income Program, which pays \$25 billion in benefits each year. We are also reviewing SSA's strategy for conducting continuing disability reviews to identify whether process improvements would allow the agency to more effectively terminate benefits for individuals who no longer qualify to receive them.

In October 1995, we issued a report raising concerns with HUD's mortgage assignment program, which was created in 1959 to help mortgagors who have defaulted on HUD-insured loans avoid foreclosure and retain their homes by providing them with financial relief. However, this program has not reduced FHA's foreclosure losses; instead, losses have exceeded those that would have been incurred if loans had gone immediately to foreclosure without assignment. We have identified several options that are available to the Congress to reduce the losses incurred by this program.

We also have under way, or else soon will begin, other efforts to identify ways to reduce federal expenditures. These efforts include reviewing the need for such Department of Energy programs as the civilian nuclear waste program, the power marketing administrations, and the Strategic Petroleum Reserve; and identifying discretionary programs at the Department of Health and Human Services that are ineffective or whose overhead expenses run too high. To help the Congress address the deficit, GAO has also recently reported over 120 options for budgetary savings on the basis of its audit and evaluation work, and many of these options were included in the House report on the fiscal year 1996 budget resolution.

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## Identifying Trends With Fiscal, Budgetary, or Oversight Consequences for the Government

Numerous GAO reports have alerted the Congress and other policymakers to crises in the making—from an outdated federal food inspection system to the crumbling financial condition of the District of Columbia, from cost overruns in major weapons systems to the deterioration of nuclear weapons facilities. We believe that one of our priorities must always be to identify trends that could lead to major problems for the government. For example, the financial services industry is growing larger and more complex while the regulatory structure to protect investors and depositors

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has many gaps. Although health care costs continue to grow at a rate faster than inflation and the delivery of health care services is rapidly changing, the implications of these changes for the financially pressed Medicare and Medicaid systems are unclear. Lastly, the Department of Energy's program to store and dispose of spent radioactive fuel from civilian nuclear power plants may be reaching a crisis. GAO is committed to helping the Congress face the challenge of deciding how to deal with this growing problem. And, while the 1993 amendments to the Social Security Act reestablished the fiscal soundness of the Social Security retirement program, workforce and retirement trends over the coming decades will put new pressures on the program. Projections show the program beginning to run annual deficits about the year 2013. Options for addressing this problem need to be acted upon in the near term in order to assure a stable retirement future for millions of Americans.

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## Improving Accountability Through Financial and Information Management

For more than a decade, GAO has reported to the Congress that federal agencies were lacking even minimally acceptable accounting and financial management systems. Tens of billions of dollars could not be accounted for, agency books could not be balanced, and widespread mismanagement was wasting billions of dollars every year. Recognizing the need for better financial management in the federal government, the Congress passed, on a bipartisan basis, the Chief Financial Officers Act (CFO) of 1990. This law requires major federal departments and agencies to prepare financial statements and to undergo annual financial audits.

We have a major responsibility to monitor agencies' progress under the CFO act. This year, the 24 largest federal departments and agencies are required to produce auditable financial statements. Beginning in 1997, we will also have the job of auditing the annual consolidated financial reports of the U.S. government, which are intended to show the Congress and American taxpayers the status of federal finances. It is crucial that CFO Act implementation stay on schedule. Likewise, GAO must maintain the ability to develop comprehensive, reliable information that congressional leaders rely on to reduce spending and ensure accountability among federal departments and agencies. Moreover, this information will contribute to the effective implementation of the Government Performance and Results Act of 1993, which makes performance measurement a key element of federal program management.

We have also put considerable emphasis on the need to improve information resource management (IRM). While the federal government



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spends about \$25 billion each year on computers and information technology, it ought to be getting far greater value than it has been for so large an investment. In 1994, we produced a widely recognized report on how 11 basic principles drawn from leading public and private sector organizations could be used in the federal government's IRM programs. The Congress has already endorsed many of these "best practices" in its reauthorization of the Paperwork Reduction Act.

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## Operational Improvements

As I mentioned earlier, we have made many operational improvements over the past several years that have enabled us to maintain our productivity levels and the high quality of our work even though our resources have been decreasing. I'd like to update the Committee on these efforts.

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## Capitalizing on Information Resources Technology

Over the past several years, introduction of the latest technology has helped our staff by giving them ready access to numerous sources of information that are critical to successfully and efficiently completing assignments. This technology has enabled staff to perform more indepth analyses and has provided for easier, faster, and more efficient sharing of information. In addition, the use of local area networks and the wide area network has greatly enhanced communications, which is essential to the timely and successful completion of our work.

During this past year, GAO has continued its efforts to further develop its automated information resources to increase staff access to information. We have extended our data network to all locations and installation of the Data Collection and Analysis (DCA) application is complete. This application will greatly enhance our ability to perform our mission effectively with reduced resources. We have identified the requirements for connecting our documents database and CD-ROM research networks to the data network and have started implementation. We have upgraded and integrated video conferencing and voice mail with our operations, and we have begun publishing GAO products on the Internet through GPO's Wide Area Information Server. We are also using the network to efficiently provide administrative information to agency staff. This has been done in the context of modernizing our facilities while removing asbestos from the GAO building. This will provide an overall work environment that maximizes the efficiency with which we do our work.

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## Re-Engineering Job Processes

Efficiency gains have also resulted from our quality management efforts over the past several years. We have identified and are making several improvements to our work processes by using this management approach. For example, we have made significant progress in reducing rework and cycle time for jobs and improving on-time delivery of reports. We have implemented, on a GAO-wide basis, a standardized audit and evaluation process that incorporates the best practices from throughout GAO. This process incorporates new technology and automated tools to ensure optimal responsiveness in every job as well as enhance quality. In addition, we are finalizing plans for a cost estimation and costing system that should be operational later this fiscal year. This system will enable us to more accurately assess the estimated and actual costs of jobs. Our goal is to reduce the costs of our audit and evaluation jobs and the time it takes to complete them.

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## Conclusion

These are challenging times for GAO. We must continue to find ways of doing a good job even better—and doing it faster, at less cost, and with fewer people. Over the past several years, we have worked with the Congress to reduce GAO's resources because we recognize that we need to take our share of the reduction as measures are taken to balance the federal budget. Although we have been very successful in reducing our resource levels while maintaining a high level of productivity and keeping the quality of our work high, we face a significant challenge in fiscal year 1997 in continuing to meet our congressional audit and evaluation workload.

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