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ADDRESS OF ELMER B. STAATS
COMPTROLLER GENERAL OF THE UNITED STATES
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CONGRESSIONAL BUDGET REFORM: WHAT ARE ITS PROSPECTS?

I am honored to have been invited to participate in the Bannerman
Lecture Series established by the Naval Post-Graduate School. Jim ^{12/4/74}
Bannerman epitomized that selfless dedication which should be a standard
for all of us in the public service. His ability, his courage, his
ethical standards were a dramatic refutation to those who put all
"bureaucrats" in one package, using that term as a derogatory label
which we hear so frequently these days.

These lectures properly focus upon ways in which the Government can
more effectively plan for, and acquire, weapons which we need for national
defense. As weapons systems become more complex and costly, it is essen-
tial that we have able and dedicated managers to make as certain as we
can that not only our weapons systems, but all governmental programs, are
being carried out in a manner which will stand the test of critical exami-
nation by the Congress, the executive branch, and the public. At no time
since World War II has there been so great a need to critically examine
national priorities and to carry out essential programs as economically and
as effectively as possible. That is why I have chosen to discuss recent
changes in the Congress which we hope will enable it to better discharge
its responsibilities for dealing with the growing problems of fiscal
control.

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Increasingly, fiscal decisions made by the President and the Congress are playing a part directly or indirectly in business investment decisions, pricing decisions, wage and salary decisions--in fact, decisions of individuals in all walks of life. There must be confidence, therefore, that these decisions are made as wisely and as openly as possible--and with the greatest possible participation of those affected by them.

In the 54 years since the enactment of the Budget and Accounting Act, the budget of the Federal Government has been in a deficit position 37 years. In the 43 years since the great depression in the early 1930s, there have been only 6 years--one seventh of the time--that the budget was in a surplus position. In the past 5 years, including the current year, cumulative deficits will total nearly \$75 billion.

Many have said that the Federal budget is out of control. I do not share this view nor do I believe that this view is shared by a majority of the Congress. However, there has been growing concern as to whether the procedures followed by the Congress enable it to make the best judgments as to the budget totals and the priorities which make up those totals. As Comptroller General and head of the General Accounting Office, I am therefore a part of the legislative branch and I have shared these concerns. I believe that our Office must play whatever part it can in assisting the Congress not only in improving the budgetary processes but in assisting the Congress in its objective of assuring that the funds appropriated are spent as wisely as we know how.

THE NEED FOR AN INFORMED PUBLIC

An informed public is as necessary to our weapons development process as an informed Congress. The public gets its information of course from the media, and that means in today's society, television, daily newspapers, and the weekly and monthly periodicals, usually in that order. Each can make an important contribution to better public understanding which, in turn, supports the Congress.

I would like to commend both public and commercial television for their part in providing programs in some depth that illustrate the difficulties in the development of new programs. An outstanding example is the recent CBS documentary on the Space Shuttle. Having said that, let me express my hope that they will do still more. The public is far removed from you gentlemen and your highly specialized field of government procurement. Its technical requirements are difficult for even the experts to meet. And its dollar requirements in the billions are figures too vast for taxpayers to relate to. It is not surprising that the public has little understanding of the difficulties and dilemmas faced by those having the responsibility for making decisions and choices for new products or new programs for the Government.

But that does not prevent them from being skeptical. I have frequently said that the American people are tired of paying more than they should for new weapons that do not meet the specifications that their sponsors promised, thereby costing them still more to rectify mistakes which never should have occurred. The result has been a lack of credibility as to performance of governmental institutions concerned.

I do not want to sound altogether negative. Over the past decade or more, great progress has unquestionably been made in estimating costs and in weapons development. An important milestone in cost estimating, of course, was begun with the passage of the Truth in Negotiations Act, to which the General Accounting Office contributed substantially.

The reasons why Federal procurement is a field in which the need for clearer thinkers, as well as higher standards of accountability, will always be uppermost are obvious. What may be less obvious is that in the era of technological development we are now entering, we are largely without that familiarity provided by experience which is so important. I am referring to such matters as the relationship of nuclear power to the social environment and the future safety of mankind, an area in which the imponderables are growing. This is why we need the best thinkers we can get in all the professions. But we also need a resurrection--to put it plainly--of honesty, openness, and candor. Otherwise improvements made by the technical people and the program managers will not help much.

So much for some general introductory observations. Let us turn to specifics.

CONGRESSIONAL BUDGET CONTROL

What indications are there that the Federal Government will do better in the future than it has in the past in managing our affairs and in spending our money? A related question is directly applicable to the General Accounting Office--what is the GAO doing about this and what can it do?

In accordance with congressional interest, GAO's role in evaluating Federal programs has expanded in recent years to include those for

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environmental, transportation, energy and health, and, of course, a wide variety of defense programs. To help make these evaluations, GAO now has a multi-discipline staff which is both young and dedicated. The average age of the staff is 35.3 years and it includes economists, engineers, social scientists, mathematicians, public administrators, lawyers, actuaries, and cost-benefits specialists, as well as accountants, auditors, and investigators. As necessary, we draw upon a large roster of consultants ranging from systems analysts to medical doctors.

Our responsibilities recently have been reinforced and expanded by the Congressional Budget and Impoundment Control Act of 1974--the result of increasing awareness in the Congress of its need to improve its performance in reviewing budget priorities and determining tax and expenditure levels. Many of these tasks are not completely new. Auditing for program results and the evaluation of Federal programs has been a growing part of GAO's efforts. Likewise, is our concern with improving the information base of the Congress. However, the specificity and emphasis of the new law gives greater impetus of these efforts.

Until this new law went into the statute books, the Congress did not have the machinery to look at overall priorities or even the basis for establishing a total. The President's budget is not "holy writ." It is made up of compromises and always has been. It is far more than a bookkeeping or an accounting document. It is a political document, an economic program, a means of setting priorities within and controlling government operations of a national plan expressed in dollars. It serves

of the wheel to controlled nuclear reactions, the full significance of this organizational invention has only gradually become clear. Suffice it to say that the capacity of the President, whoever he might be, to do his job, to manage the executive branch, and to deal with the Congress was immensely strengthened by this innovation. With increased Presidential competence and the growing size and complexity of the Budget, there was wide acceptance of the need for increased Presidential responsibility and authority.

Clinton Rossiter's book on "The American Presidency" graphically describes the scope of Presidential powers as perceived by scholars. Mr. Rossiter discusses the President's constitutional responsibilities in five categories. Not surprising are his roles as Chief of State, and Chief Executive, and Commander-in-Chief. These are traditional and accepted executive responsibilities. However, Mr. Rossiter also regards the President as Chief Diplomat, notwithstanding congressional, and particularly Senatorial, responsibilities in the field of foreign relations. Even more surprising, perhaps, is Mr. Rossiter's conclusion that the President is Chief Legislator since the President alone is in a political, constitutional, and practical position to provide leadership, and is expected, within the limits of constitutional and political propriety, to guide Congress in much of its lawmaking activity.

But the Congress has been stirred to respond to growing Presidential power, as well as to its own organizational problems. While the Congress

It is the Congress that votes the money to buy the new weapons and facilities which you and your colleagues in the military forces design and which American private enterprise produces and sells.

In the building of new weapons we have a continuing relationship between the government's need for equipment on the one hand and private industry's need for profits on the other. Sometimes the resulting contractual relationships are satisfactory; sometimes they are not. Both share in the responsibility for assuring the Department of Defense and the Congress that weapons acquired meet the tests of high performance and reasonable response.

Congressional committees have found it difficult to determine if proposed weapons are essential; they have lacked comparative bases of determining independently of you in the military, whether or not the new weapons would really do what sponsors claimed; they have not possessed sufficient forward intelligence to be able to make a reasonable judgment as to what a weapon system will cost, 5 years ahead; and they often have not known whether or not there were alternatives to a proposed costly new program.

These imponderables are changing. Congressional committees are much better informed on these matters today than they were a decade ago. Even so, improvements in advising the Congress cannot come fast enough in today's world--not only for reasons of national security but also because of the growing public concern as to whether tax dollars are being spent only for essential needs.

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many of the purposes that the profit and loss statement and the balance sheet serve in profit enterprises. And thus, it does have a rationality that all of the appropriation and authorization bills at the end of a year, singly or added together, have not had. It is certainly timely for the Congress, under the new law, to improve its ability to use this tool.

SIGNIFICANCE OF BUDGET REFORM

As the title implies, this law is a most carefully thought out effort by the Congress to deal more effectively with the Federal budget. This is the most significant legislation in its field since the Budget and Accounting Act of 1921.

To emphasize its significance, it would be useful to look very briefly at some recent history. Certainly, it has been the perception of many that Congress' control of the budget and appropriation process in recent years, and perhaps for many years, has been inadequate.

There are 13 appropriation subcommittees in both House and Senate, each with a high degree of independence, each very constituent conscious, and each not about to have another committee or the Congress as a whole tamper, with its work--not if they can help it. It is not surprising that for some years an inevitable question addressed to anyone talking about the budget and appropriation process has been: "Has Congress lost control of the budget to the executive branch?"

Perhaps this loss of control started with the establishment of the Executive Office of the President and the Bureau of the Budget in that Office in the late '30s. Like most major developments from the invention

previously has made efforts to organize itself to deal more effectively with budget and appropriation matters. The Budget Control Act is its most detailed and most carefully thought out effort on this subject in 50 years.

WHAT THE LAW REQUIRES

The law is fairly long as laws go--about 43 detailed pages of how better to structure congressional handling of the budget. The law is unusual in the detail with which it specifies procedures and schedules. It not only permits but also requires the Congress, for the first time, to take a top-down look at the budget--to look at the whole and especially the relationship between income and out-go as well as at component pieces.

A brief resume of the table of contents of the Act will serve to identify some of its principal Titles.

Establishment of House and Senate Budget Committees

Congressional Budget Office

Congressional Budget Process--with a timetable of the actions in each House and a statement of relationships of the process.

Change of Fiscal Year

Amendments to Budget and Accounting Act of 1921

Program Review and Evaluation

Fiscal and Budgetary Information and Controls

Impoundment Control

The Budget Committees already have been appointed. Chairman of the House Committee is Congressman Al Ullman of Oregon. Ranking Minority Member is Congressman John Rhodes of Arizona. Chairman of the Senate Committee is Senator Edmund Muskie, and its Ranking Minority Member is Senator Peter Dominick of Colorado.

The enactment of the Congressional Budget and Impoundment Control Act and the appointment of the Budget Committees are only the first two steps in a long, difficult, complex process. Evidence to date is that the Congress is dead serious in its effort to deal more effectively with the Federal Budget.

EVAULATING PROGRAM RESULTS

In recognition of the importance of program results audits, Title VII of the new law specifically directs the Comptroller General to "review and evaluate the results of Government programs and activities carried on under existing law." The title also directs him to "develop and recommend to the Congress methods for review and evaluation of Government programs." So with the support and stimulation of the new law, you can expect the GAO to be expanding its reviews of program results.

The Legislative Reorganization Act of 1970, in addition to dealing with congressional reorganization, required the General Accounting Office to increase its efforts to meet the information needs of the Congress. Along with its feeling of loss of control in other areas, the Congress has expressed growing concern that the information readily available to it was not adequate to enable the Congress to do its job. The problem

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has been regarded as particularly acute in the budget and appropriation areas. To a considerable extent, the problem is not one of the information not being available, or of censoring or restriction of information, but rather is a problem of having information available in the right form, in the right place, and in the right time. In these terms, the problem is an information management problem rather than a freedom-of-information problem.

In recognition of this need, Title VIII of the new law--Fiscal and Budgetary Information and Controls--directs the Comptroller General, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office, to "develop, establish, maintain and publish standard terminology, definitions, classifications, and codes for a Federal fiscal, budgetary and program-related data and information."

The Act also directs the Comptroller General, in cooperation with the same officers, to "develop, establish, and maintain an up-to-date inventory and directory of sources and information systems containing fiscal, budgetary and program-related data." Finally, the Comptroller General and the Director the the Congressional Budget Office are directed "to the extent they deem necessary, [to] develop, establish and maintain a central file or files of the data and information required to carry out the purposes of this title."

The size and complexity of our nation, and the consequent size and complexity of the Federal Government make the task of constructing and

maintaining records which tell us promptly and adequately where we are, and what and how we are doing, equally large and complex. But it is essential that we know that we are talking about when we talk about agriculture, or health, or housing; that we be able to accurately associate dollars and workload; and that we be able to do this more promptly than we now can. We are working on this task in cooperation with other legislative and executive agencies concerned, and are hopeful about the results.

NEED FOR SPECIAL GAO SERVICES

The development of an effective congressional budget process also carries with it certain other implications for GAO. As the Congress conducts its budget reviews under the new procedure it will be increasingly concerned with forecasting--forecasting the implications of executive and congressional budgets and of alternatives thereto, for example. Also, it will want to know, with as much precision as possible, the broad areas of budget controllability so that it can consider the possibilities and consequences of budget adjustments. Further, it will wish regular GAO reports, surveys and studies to be synchronized with the budget review schedule in time, format, and priority.

In its present form, however, the Federal budget covers only a 3-year period; the most recent full fiscal year, the current fiscal year, and the budget year--the next fiscal year. This isn't a long enough timeframe to enable us to analyze adequately some of our most troublesome problems. The new law requires five-year forecasts of budget

impact, but this is not the same thing as extending our planning and management frame of reference by five or more years.

There are a growing number of problems confronting our Nation and the world which can only be dealt with over long periods of time. The complex of problems labeled "energy-related," environmental problems and problems arising out of mineral, food, or other material shortages, are classic examples. The fact is that the Federal Government does not have a mechanism for systematically analyzing and dealing with these problems. The new congressional budget legislation, milestone legislation though it is, leaves this matter of long-range problem solving largely untouched.

Title X of the Act--Impoundment Control--also effects GAO.

On September 20, we were furnished copies of the first twenty special messages sent to the Congress by the President as the Act requires. The rescissions and deferrals of budget authority proposed in these messages total \$20.3 billion of which \$19.8 billion are proposed deferrals.

GAO is required to review each of these messages and report promptly to the House and Senate as to

- the facts surrounding each proposal,
- their probable effect; and
- whether the proposal is in accordance with existing legal authority.

We are also required to report to the Congress if we find the President has failed to transmit a special message when required or if a message so transmitted has been misclassified.

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Our reviews of the special messages must advise the Congress whether they contain sufficient relevant, factual data about fiscal, budget and program effects to permit the Congress to understand the action proposed and be helpful to it in judging the desirability of the proposal. Data contained in the messages should meet reasonable standards of completeness but they are only one of the data sources available to the Congress. In our opinion, congressional hearings on large and controversial proposals will be essential to fully develop the facts in many cases.

INCREASING NEED FOR ACCOUNTABILITY: GAO'S CONTINUING WORK

The support which GAO will provide the Congress in the budget control area will not, of course, affect its regular activities. The need for accountability to the Congress and the public by all government departments through the programs and services they offer remains paramount.

Most of you are aware that auditing is no longer as restricted as it was some years ago nor is the practice limited to accountants. As it is practiced today in many parts of government and industry, auditing not only covers (1) the integrity of financial operations and compliance with laws but also, (2) whether desired results are being achieved, and (3) efficiency and economy are being practiced in attaining these results. Many audits at the Federal Government level today are concerned primarily with efficiency and economy and, more and more, auditors are beginning to evaluate program results.

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Some time ago we concluded that we should give greater emphasis in our audit work to whether program are accomplishing their objectives. This we refer to as auditing for program results or, more simply, program evaluation.

Early in our efforts in this area, we discovered that most agencies had no criteria for evaluating the results of their work. In social programs, it is extremely difficult to develop criteria for measuring accomplishments. In the military, some work had been done along these lines, but not enough. Our first attempts in program evaluation, therefore, have been directed towards improvement in the analytical fields and the establishment of measurement criteria.

The principal impetus for expanding the scope of audits in government has not come from auditors. It has resulted primarily from demands of legislators and government managers for additional information. Public office as implied earlier carries with it responsibility for maintaining proper management of public finances, spending public funds in an economical and effective manner, and achieving the purposes for which public resources are furnished, usually called program results.

Most our work is directed toward achieving economies or improving the effectiveness of Federal programs. Here are some examples.

GAO selectively reviews the services' readiness reporting systems to test their adequacy and usefulness in reporting to top management.

One such review dealt with the ability of Navy Antisubmarine Warfare (ASW) air squadrons and surface ships to conduct effective sustained antisubmarine warfare. We concluded that the Navy's ability was impaired because of

- personnel shortages;
- low operationally ready rates for aircraft;
- scarcity of submarine and aircraft carrier services for training; and,
- shortages of sonobuoys.

The readiness posture of air squadrons and surface ships was lower than reported because the criteria used to measure overall combat capabilities were poorly defined, subject to varied interpretation, were not consistently applied, and did not consider all pertinent factors.

Objective criteria for determining the status of units combat readiness in specific mission areas, such as ASW, have not been established by the Navy.

The recent work on the B-1 program is an example of our attempts to evaluate major programs for the Congress and the new directions in which GAO must move. As you know, the B-1 program is approaching a production decision in 1976, and will have a major budget impact for some years to come if production is approved.

For the last three years we have been reporting to the Congress, at least annually, on the progress of the development program. In this connection, we have highlighted, to the extent possible, the

causes of the significant cost growth, [the program cost is now estimated at \$18.6 billion and the unit costs are close to \$80 million] the schedule slippages, and the performance degradations.

With the continued cost growth and system degradations, it became clear to us that a major reevaluation of the program was warranted. Last year we furnished the Congress with a report on alternative candidates for the strategic manned bomber mission. It is not our role and we did not attempt to reach any conclusions as to a preferable system, but pointed out to the Congress some of the key considerations that must go into such a decision. Thus, we discussed aspects of survivability, penetrability, range, payload, target coverage, and cost. We concluded that, since there had been major changes in cost and performance projections since the last Air Force study of the subject, in 1966, a new cost benefit study would be appropriate before asking Congress to approve production of the B-1.

In that report we also made what I consider to be a major and far-reaching recommendation. We pointed out that major cost-benefit studies are very expensive and time-consuming and, in the past, GAO has raised many questions about their objectivity after they had been completed. We believe that it is important that Congress and defense officials have the benefit of the best analyses possible to assist them in making major decisions, and we therefore recommended that Congressional committees, with our assistance, reach preliminary agreement with OSD on data elements, key assumptions and methodology prior to the initiation of the studies.

As you can well realize, OSD and Air Force officials objected on the grounds that this would be an infringement on their management responsibilities. Senator Stennis, however, agreed that this would be a valuable means of assisting the Congress and asked us to participate in the formulation of the study parameters. We did have some significant inputs to the study format--there were also areas where OSD declined to go along with our suggestions. At the present time the preliminary draft has been completed and we have advised OSD and the committee that additional work is required to test the sensitivity of certain of the assumptions. In fact, we advised the Committee that the results would be biased in favor of the B-1 long before the study was completed. The extent to which we can influence OSD to extend the study effort to ensure a more objective analysis is still being discussed between our respective staffs.

You may recall that former Defense Secretary Packard's well-known dictum: "fly before you buy." In other words, production of a new weapons system should not begin until all elements are tested, bugs eliminated, and solid determinations reached that the system will do what its advocates claim. Obviously sound as this procedure is, it has frequently not been followed. Advocates of new programs get a disease somewhere along the line that I call "optimistic psychosis." They become so overly optimistic about their proposed weapon and the solution to whatever serious technical problems appear to lay in its path that they urge that the system be produced while the solutions are still on the drawing boards.

Airborne Warning and Control System

The Airborne Warning and Control System (AWACS) is a \$2.5 billion program for thirty four 707 aircraft, equipped with a look-down radar, and displays and computer equipment for detecting, tracking and control of aircraft. AWACS was originally designed primarily for a strategic mission - the detection of a manned bomber attack on the United States. As you may know, Secretary Schlesinger earlier this year decided that the probability of a manned bomber attack on the United States was minimal and ordered the defenses against such an attack to be dismantled. In line with this decision, the Air Force redesignated AWACS as a tactical system with the primary mission being to control aircraft in the European combat environment.

In reports and testimony to the Congress, GAO questioned whether a production decision on AWACS would be warranted as early as the scheduled date of December 1974. GAO was essentially concerned with the need for a sound management approach to the procurement of this system. The real question, as we saw it, was whether AWACS could perform its primary tactical mission effectively over a European battlefield and whether sufficient operational type testing could be accomplished prior to the scheduled production decision. Our analysis indicated that the tactical European mission was much more complex and demanding than the strategic mission and we expressed our concern in the areas of:

1. Configuration of AWACS and its operational capability in a tactical environment.
2. Vulnerability of AWACS to enemy fighter aircraft.
3. Susceptibility of AWACS to jamming.

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In May of this year, the Senate Armed Services Committee, on the basis of our testimony and the opposing views of the Air Force, recommended that the Secretary of Defense appoint a group of disinterested experts to examine this issue and to report to him on the viability of the system. This was done and the group is currently looking into the whole question of AWACS' utilization in the European environment. We have worked closely with them and have provided them with all of the information we developed over the past year.

This particular case clearly illustrates how GAO can be of service to both the Congress and top level management in the DOD. The establishment of the independent group of experts to advise the Secretary of Defense on the critical matters provides greater assurance to both the Secretary and the Congress that a fair and objective analysis will be made prior to the commitment of significant funds.

Anti-Submarine Warfare

One of the new approaches GAO is taking is the study of mission areas and families of weapons systems. We believe Congress needs a better understanding of the interrelationships of enemy threat, mission requirements and the role that individual weapons systems play in the accomplishment of missions.

For example, we have undertaken a set of reviews of the Navy's anti-submarine warfare mission. Escort vessels to protect the sea lines of communication are covered in one such study; problems encountered in managing ASW, especially in airborne and undersea surveillance systems, are addressed in another study; and a future review will cover the submarine segment of the ASW forces.

Our preliminary impressions of the Navy's approach to the ASW area indicate that if the ASW posture is to improve, the Navy has to manage better than it is currently doing. We believe that the Navy has been buying platforms (ships, aircraft) which are not enhancing operational capability. There appears to be too little emphasis and application of resources to the research and development on such fields as sensors, weapons and signal processing;- the areas where significant breakthroughs are needed to improve ASW.

In addition to the problems of resource allocation, improved systems integration has to be achieved for more effective operations; ways to measure effectiveness of forces must be improved; key programs need better planning, guidance, and direction; and organizational structure needs to be strengthened.

Hopefully, when congressional committees have our reports they will better understand the complexity of the ASW mission, the threat to U. S. forces, and will be in a position to review requests for funding on a more informed basis.

These efforts are a departure from the traditional after-the-fact evaluations of the auditor. What we are now doing is assessing program progress, potential accomplishments and costs before major decisions are made--giving the Congress a choice based on good analytical data. Certainly there can be some valid concern about the auditor losing his independence when he becomes involved in management studies and gets close to the decision-making process. We feel, however, the benefits to be gained from this type of assistance to the Congress far outweigh the possible pitfalls.

One final note. Late in October we sent to the Congress a very unusual information-type report which spells out, step by step the process followed in identifying needs and establishing requirements for major weapon systems in the Defense Department. This report identifies the formal DOD process that leads to specific systems with stated operational capabilities and places everyone concerned, including GAO, in a more knowledgeable position to examine weapons system requirements. It may be used also by the Congress, DOD, and others interested in requirements for major weapon systems.

Thank you very much.

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