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STATEMENT OF
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BEFORE THE LEGISLATIVE SUBCOMMITTEE
APPROPRIATIONS COMMITTEE
HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1975

MAR 4 1974

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate the opportunity to present our plans for the General Accounting Office in FY 1975. Details of the work programs, and the manpower and funds proposed to carry out these plans have been provided you in a separate volume which contains our budget estimates.

In my statement today, I would like to briefly discuss some of the major factors that we consider in planning and developing our estimates.

STATUS OF FY 1974 APPROPRIATIONS

Before discussing our plans for FY 1975, a very brief overview of our planned operations through the end of FY 1974 will provide a helpful perspective.

Original FY 1974 Appropriation	\$ 103,850,000
Additional costs of salary increases	
January, 1973	\$ 4,500,000
October, 1973	3,100,000
	<u>\$ 7,600,000</u>
Portion of increases to be absorbed	<u>750,000</u>
Supplemental appropriation pending to fund salary increases which cannot be absorbed	<u>6,850,000</u>
Total Funds Required for FY 1974	<u>\$ 110,700,000</u>

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FY 1974 appropriations, as outlined above, make provision for a GAO staff of 5,080 manyears. However, our plans for the remainder of this fiscal year are such that we will use a total of about 4,970 manyears. After offsetting cost increases in areas other than personnel, it seems likely that we will be able to absorb more of the pay raises, which have gone into effect since our original appropriations, than the \$750,000 that I have already referred to. We may be able to absorb as much as \$2 million of the \$7.6 million of pay raise costs. We will continue to review our financial posture, with a view toward absorbing as much of the pay increases as feasible.

REQUEST FOR FISCAL YEAR 1975

Our request for appropriations to finance GAO operations in FY 1975 is \$123,700,000, which will provide us with 5,230 manyears of GAO staff time including 30 manyears for consultants. The budget requests of our division and office directors totaled 5,600 manyears based on their anticipated workload for FY 1975.

My decision to limit GAO's FY 1975 request to 5,230 manyears, or 150 manyears more than were funded in FY 1974, was made to hold our staff to the minimum necessary to meet increased workload. This increase will permit us to meet known and projected congressional requests for assistance. It will also permit us to meet workload increases in other areas where we have little or no discretion. These include claims settlement, debt collection, bid protests and other required legal services as well as the federal election activities assigned to us. They also include our responsibilities to review financial systems,

transactions, accounts and reports. The requested increase will also provide a slight increase in resources which we can apply to reviews of new and expanded Federal programs.

Our request for appropriations to cover our FY 1975 operations, therefore, will increase over the \$110,700,000 required in FY 1974, because of:

1. Costs required to annualize recent general pay and other required increases which were effective for only part of FY 1974.	\$ 2 million
2. Costs incident to the planned 150 manyear increase discussed above.	2 million
3. Increased costs due to changes in employee pay--promotions, periodic step increases, and the additional paid day in FY 1975.	2 million
4. Increased costs of benefits related to above and travel.	1 million
5. Cost of GSA office space we occupy included for the first time in FY 1975.	<u>6 million</u>
Total FY 1975 increase over amounts appropriated for FY 1974.	<u>\$13 million</u>

With regard to the last item, Public Law 92-313, June 16, 1972, requires that, beginning in FY 1975, Federal agencies reimburse the General Services Administration on a continuing basis for all space they occupy. In the past, agencies paid GSA only for the cost of leased space during the first year of occupancy. This change will cost us \$6 million more for space than we paid in FY 1974.

STAFFING TO MEET PLANNED FY 1975 LEVELS

To meet the proposed increase of 150 man-years and to replace losses will require us to bring on board some 500 new professional staff members. In so doing we will continue our trend toward further increasing the interdisciplinary character of our staff.

About 27 percent of our professional staff is now made up of persons trained in disciplines other than accounting. Such other disciplines include engineering, computer sciences, actuarial and mathematical sciences, economics and other social sciences and, of course, business and public administration. This range of skills, supplemented by frequent use of consultants and experts, is increasingly necessary to much of our audit work and particularly to our evaluations of program results.

Progress under our equal employment opportunity program in the 1973 recruiting year was good, with minorities and women totaling 105 or 36.8 percent of those hired for entry level professional positions and 16 or 20 percent of those hired above entry level. Performance during the first seven months of FY 1974 indicates that we will equal or exceed last year's results. We recognize, of course, that emphasis in this area is necessary on a regular and continuing basis for us to achieve our full commitment to an affirmative, results-oriented program of equal employment opportunity.

In this same connection, we are pleased with the development and recent implementation of an upward mobility program which provides "bridge" jobs. Under this program we expect to make it possible for secretarial,

clerical and administrative personnel to become members of our professional staff. Nine persons are now performing in these developmental jobs and taking requisite college courses at GAO expense. Another nine persons are scheduled to begin training in April. The number of positions will gradually increase through fiscal year 1978 when we anticipate having 80 persons in the program at one time.

Because of our increasing emphasis on equal employment opportunity and upward mobility programs, we estimate that the direct costs of operating those programs will increase from \$190,000 in FY 1973 to \$890,000 in FY 1975 as follows:

	<u>Fiscal Years</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Equal Employment Opportunity Program	\$190,000	\$315,000	\$390,000
Upward Mobility Programs	<u>--</u>	<u>275,000</u>	<u>500,000</u>
Total	<u>\$190,000</u>	<u>\$590,000</u>	<u>\$890,000</u>

GENERAL PERFORMANCE HIGHLIGHTS

One of our major objectives is to bring about improvements in the economy and effectiveness of Government programs without regard to the amount of dollar savings which we might claim from our work at the end of the year. For the most part, actions taken in response to our recommendations cannot readily be measured in terms of dollar savings. Nevertheless, when it can be done readily, we make estimates of savings that are directly attributable to GAO recommendations. For FY 1973 such savings amounted to \$284 million.

For example, as a part of our continuing audit work involving ammunition plants, we reported to the House Committee on Appropriations in May 1972 that although the Army's program to modernize ammunition plants was necessary, better management and planning was needed. We reviewed the Army's FY 1973 and 1974 appropriation requests and found that they included projects for modernizing plants that were not needed or for which the design and engineering was not complete. As a result, the House Committee on Appropriations reduced the Army's FY 1973 request by \$20 million, deleting projects with incomplete engineering and design. Following the FY 1974 appropriation hearings, the Army reduced its request by ~~\$27~~^{\$4.1} million and the Committee further reduced the revised request by \$85.3 million stating that four projects should be deferred until design and engineering was complete. Attachment 1 summarizes tangible savings for FY 1973.

Even more important are the many recommendations we make that may not result in dollar savings but do lead to increased effectiveness of Government programs. For example, we reported to the Congress that State highway departments tended to spend all available highway funds on new construction rather than spend part of the money on improving the safety of existing highways. We estimated that each million dollars spent on highway safety would prevent 3.85 more deaths and 59.37 more injuries annually than the same amount spent on highway construction. Following issuance of our report in May 1972 and testimony before the House Public Works Committee, the Congress earmarked \$375 million in the Federal-aid Highway Act of 1973 to improve high-hazard locations and

eliminate roadside obstacles. Based on available statistics, use of the funds should save 1,450 lives and prevent 22,000 injuries annually over the life of the improvements.

Later in my testimony, I will give additional examples of our accomplishments that cannot be measured in terms of dollar savings.

IMPACT OF LEGISLATION AND
OTHER CONGRESSIONAL ACTION ON
GAO PROGRAMS

Numerous legislative and other congressional actions--including those which require GAO to make specific studies and those which create new Federal programs or expand existing ones--continue to have a marked effect on GAO work programs. We cannot always fully estimate the impact of these actions on GAO; but, to the extent we are able, we try to provide for them in our requests.

A. Legislation Vesting Specific New
Responsibilities in GAO

Following are a few of the more significant legislative actions that will increase our workload:

1. The Health Maintenance Organization Act of 1973 requires GAO to (1) evaluate the operations of at least 50 health maintenance organizations assisted by the Act and (2) study the economic effects on employers resulting from their compliance with requirements involving employee's health benefit plans. It also requires GAO to evaluate the operations of categories of health maintenance organizations compared with each other; of health maintenance organizations as a group compared with alternative forms of health delivery care; and the impact of health maintenance organizations on the health of the public.

2. The Trans-Alaska Pipeline Act of 1973 gave us new responsibilities for advising the Congress on and overseeing the collection of information required by regulatory agencies and reviewing the need for reports currently required by these agencies.

It also established the Trans-Alaska Pipeline Liability Fund and made it subject to annual audit by GAO.

3. Amendments to the National School Lunch and Child Nutrition Acts, in November 1973, (1) extended operation of the pilot supplemental food program for pregnant and lactating women and for children under 4 years of age (P.L. 92-433), through fiscal year 1975; (2) established new reporting dates of October 1, 1974, and March 30, 1975, for the Comptroller General's evaluation reports of the pilot program; and (3) increased the funding level of the program for 1975 to \$40 million. They also require that GAO provide its program evaluation expertise to the Department of Agriculture if the Department so desires.
4. The Defense Appropriation Authorization Act of 1974 requires the President to seek from other members of NATO payments to offset the U.S. balance-of-payments deficit in fiscal year 1974 relating to the U.S. troop deployments. The balance-of-payment deficit shall be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General. Additional work is expected to verify the computations of the balance-of-payment deficit.
5. The Foreign Assistance Act of 1973 requires that the President, acting through the United States representatives to the United Nations and its affiliated organizations, the World Bank, and the Asian Development Bank, seek establishment of independent review and evaluation groups in these international organizations. The law requires the Comptroller General to prescribe auditing and reporting standards for the groups and, subsequently, to report on their effectiveness.

B. Impact on GAO of New Legislation Creating or Expanding Federal Programs

Perhaps even more significant over the long run is legislation which creates new Federal programs or expands existing

program levels. These actions require additional work by the GAO. A few examples of such legislation which increase GAO's workload follow:

1. The Emergency Petroleum Allocation Act of 1973 authorizes the allocation of crude oil, residual fuel oil and refined petroleum products to deal with existing or imminent shortages and dislocations in the national distribution system. This program, along with other emergency energy programs, will be carried out by the Federal Energy Office and can be expected to result in a substantial requirement for GAO audit effort over the next several years.
2. The Consumer Product Safety Act, on October 27, 1972, authorized establishment of an independent regulatory commission to be known as the Consumer Product Safety Commission, to protect the public against unreasonable risks of injury associated with consumer products. In addition to initiating work in the Safety Commission, we have identified several areas within consumer protection in need of attention and expect to maintain a substantial level of effort for the next several years.
3. The Federal-Aid Highway Act of 1973 (P.L. 93-87) dated August 13, 1973, opens the Highway Trust Fund for mass transportation needs and provides for significant expansion of highway safety activities and programs meeting special needs of the elderly and handicapped. This legislation will require increased audit effort concerning the environmental, safety, and energy implications within the Department of Transportation.
4. The Trans-Alaska Pipeline Act (P.L. 93-153) dated November 11, 1973, authorizes the construction of the Trans-Alaska Pipeline (TAP). This pipeline is controversial and will probably generate many congressional requests dealing with matters such as implementation and compliance with provisions of the Act, and the environmental and wildlife impact of the pipeline.
5. The Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) placed a \$20,000 limitation on payments that can be made to a farmer for price-support

programs. The Act also adopted a target price system under which the government will pay farmers the difference, if any, between the market price they received and a higher target price written into the legislation. Increased audit effort will be required to monitor the price-support programs to determine their responsiveness to current conditions of agricultural scarcities.

C. Pending Legislation Which Would Increase the GAO Workload

A wide range of legislative proposals have been introduced in this Congress which, if enacted, would significantly increase our workload. For example, current legislative proposals would require GAO to:

- Provide Congress with information concerning impoundments reported by the President, notify the Congress of any impoundment not reported by the President, and bring civil actions on behalf of the Congress to enforce compliance with Congressional decisions on impoundments;
- Assist in developing specifications for legislative requirements for executive branch evaluations of Federal programs and activities, and in analyzing and assessing program reviews, evaluation studies, or cost-benefit studies prepared by or for any Federal agency;
- Develop and prescribe principles and standards for the evaluation of Federal programs and activities;
- Monitor the various recurring reporting requirements of the Congress and committees and make recommendations for changes and improvements;
- Develop and publish standard terminology, definitions, classifications, and codes for Federal budget and program information systems;
- Perform a range of responsibilities in the energy area including:

- Continuously monitoring and evaluating the operations of the Federal Energy Administration.
- Monitoring and reviewing an independent analysis of oil and gas reserves to be prepared by the Federal Energy Administration.
- Studying and evaluating a number of energy-related programs and proposals.

--Audit the Federal Reserve System;

--Administer the Federal Reports Act of 1942 and review tax forms for simplification, scope and reporting frequency;

--Study the adequacy of the financing of the Nation's fire fighting services;

--Administer a post card voter registration system;
and

--Study reporting requirements of Federal regulatory programs, to determine how they may be revised to lessen the burden on small and independent business establishments.

Also, in proposed legislation submitted to the Congress this year, we have requested an expansion of our authority to include (1) audits of non-appropriated funds and related activities and (2) periodic studies on a selective basis of profits made by Government contractors on Government and commercial contracts.

There are of course many other bills which would significantly affect our operations and workload. In preparing our manpower and appropriation requirements, we have considered only completed legislative actions. We do not, of course, staff for each legislative enactment, but assess their impact on an overall basis.

STAFFING REQUIRED

For planning and management of our staff resources, we classify our work into nine categories. These categories and our estimated FY 1975 manyear requirements for each are summarized as follows:

	<u>FY 1975 Manyears</u>
Direct Assistance to the Congress	1,212
Reviews of Economy, Efficiency, and Program Results	2,194
Examination of Financial Systems, Transactions, Accounts and Reports	286
Financial Management Improvement	137
Centralized Audit of Transportation Payments and Related Activities	476
Claims Settlement and Debt Collection	159
Federal Election Activities	110
Legal Services and Decisions	202
Executive Direction and Administrative Support	<u>454</u>
Total	<u><u>5,230</u></u>

Essentially these categories are the same ones that we have used and discussed with you in our appropriations hearings over the past several years. I would like to briefly discuss our work in each of these categories. The Program and Performance section of our "Justification of Estimates" includes examples and more detailed discussion of our activities and plans by program category.

DIRECT ASSISTANCE TO THE CONGRESS

Our work in this category is very substantial and is increasing. A principal objective of GAO is to render maximum assistance to the Congress, its committees, and members consistent with our responsibilities as an independent, non-political agency. Since we are an arm of the Congress, we judge our effectiveness, to a large extent, by our performance in meeting its many needs.

While fulfilling congressional needs for information is a prime consideration in all of our work, we give special emphasis to the direct requests of its committees and members. Our work in assisting the Congress includes:

- ° Studies specifically directed by legislation.
- ° Studies requested by congressional committees and individual members of Congress and contained in committee reports.
- ° Testimony at hearings.
- ° Work of GAO staff assigned to congressional committees.
- ° Advising and assisting committees and Members of Congress on legal, legislative, accounting and auditing matters-especially with regard to legislation under consideration.

- ° Accounting, auditing, and advisory services for House and Senate financial and administrative operations including audits of concessionaries and other activities.
- ° Liaison activities with congressional committees and individual members.

Certain reviews in this category require very considerable staff resources. For example, pursuant to section 5 of the Federal Water Pollution Control Act Amendments of 1972, we made a Government-wide review of all research, pilot, and demonstration programs related to prevention and control of water pollution which are conducted, supported, or assisted by any agency of the Federal Government. To assist us in our study, we hired 12 consultants with expertise in various disciplines of environmental science and engineering. Before our work was completed and a 447-page report was issued to the Congress on January 16, 1974, we expended about 40 manyears of audit effort with a total cost of approximately \$1.1 million in (1) interviewing numerous scientists and engineers, (2) evaluating questionnaires sent to the 50 State water pollution control agencies, 74 industrial trade associations, and 100 large municipalities, (3) visiting Federal agencies' headquarters and regional offices, State agencies, municipal departments, Federal environmental research centers and laboratories, private corporations, and research and development projects, and (4) examining Federal agencies' documents, records, studies, and other literature.

Our work frequently supports that of committees, for example:

- We made a detailed legal examination and assessment of executive branch claims of authority to impound appropriations at the request of the Chairman of the Senate Committee on Government Operations and of the Subcommittee on Separation of Powers, Senate Committee on the Judiciary.
- Acting as agents of the Joint Committee on Internal Revenue Taxation, we are currently reviewing Internal Revenue

Service policies and procedures in its taxpayer service program, audit of tax returns, and regulatory activities of the Bureau of Alcohol, Tobacco, and Firearms. The Joint Committee staff envisions the use of GAO as its designated agent to be a long-term relationship.

--In response to requests of the Chairman, Research and Development Subcommittee, Senate Armed Services Committee, the Chairman, Subcommittee on Priorities and Energy in Government, Joint Economic Committee, and of an individual member, we are now reviewing the underlying assumptions and overall justification of the contractors' independent research and development program and DOD's implementation of section 203 of Public Law 91-441 which restricts Federal payments for IR&D.

This work is being done in conjunction with a prior request from the Chairman, Senate Committee on Armed Services which asked us to follow-up on previous work on DOD's handling of its IR&D program and to obtain the views of other Federal agencies on the desirability of extending DOD's IR&D policy on a uniform, Government-wide basis.

--At the request of the Chairman, House Select Committee on Committees, we are reviewing the feasibility of creating a system for linking appropriations committee jurisdiction, and agency programs to the authorizing statutes. The project is being performed by a task group comprising GAO staff, expert consultants, and a Committee staff member.

In FY 1973 we completed 172 studies at the request of 34 Committees, involving a total cost of \$14 million.

Finally, we also respond to requests of individual members of the Congress to the extent feasible. Some of these requests can be met with little effort; others require major effort. Frequently, member requests point up problems of nation-wide significance. For example, a number of members of Congress asked us to examine postal service and operations in various states including Texas, Florida, Alaska, and Delaware. In performing this work, it became apparent that there was a nation-wide pattern in the problems affecting mail service. As a result, the work we performed on these requests not only served as a basis for our reports to the Congressmen making the requests but, in conjunction with some additional work performed for the House Post Office and Civil Service Committee,

will also permit us to report on the national problems causing a deterioration in the quality of mail services and on corrective actions required.

In fiscal year 1973 we submitted 352 reports to committees and to members. During the first seven months of FY 1974 we issued 201 such reports and had on hand at January 31, 1974, 436 requests from committees and members. A summary of reports issued to committees and members in fiscal year 1973 during the first seven months of fiscal year 1974 and on hand at January 31, 1974, is included as Attachment 2.

Obviously we do not try to "sell" our services to committees, to members or to the Congress as a whole. However, we do try to determine the needs of the Congress and to make our work responsive to those needs. In virtually every case there is an opportunity to discuss with the requestor, ways to satisfy the request with less manpower on our part.

Frequently we are able to satisfy the request by work which we are already doing based either on the request of another member or a committee or by work that we are performing on our own initiative. One of our goals is to anticipate congressional needs as far as practicable and undertake work on our own initiative.

In the Program and Performance portion of our Justification of Estimates, we have included numerous other examples which illustrate the range of our work in response to congressional requests in connection with domestic, military and international programs and activities.

The resources that we devote to work in this category have steadily increased in recent years. We expect further increases. In fiscal year 1973, we devoted 949 manyears to work in this category. Our best

estimates indicate we will devote 1,099 manyears in FY 1974 and 1,212 manyears in FY 1975. Over 70 percent of this will be in response to legislative requirements and to committee requests.

REVIEWS OF ECONOMY, EFFICIENCY
AND PROGRAM RESULTS

This category continues to be the one to which we devote the major part of our resources. In this work we seek to answer or provide information on questions such as:

- Is it possible to eliminate waste and inefficient use of public moneys that agencies and their contractors may have considered acceptable in the past?
- Are Federal programs, whether administered directly by the Federal Government or through other organizations, such as the United Nations or state and local governments, achieving their objectives?
- Are there other ways of accomplishing the objectives of these programs at lower costs?
- Are funds being spent legally?

Given the range and magnitude of Federal activities, we must, of course, be selective in determining which Federal programs and activities we will review at any given time. In making this decision, we consider factors such as the importance and effectiveness of programs and activities, size of expenditures, investment in assets, etc. This is done through our program planning system. Making intelligent decisions requires, as I have indicated, that we keep in continuing contact with the activities and interest of the Congress. It also requires intensive contact with Federal agencies in the day-to-day conduct of their programs throughout the country and abroad.

Our emphasis of recent years on program evaluations will continue in FY 1975. In so doing we will continue to foster the position that the basic responsibility for evaluating the economy, efficiency and effectiveness of agency programs rests with the agencies themselves. Through our work under this category, we will encourage agencies to perform such evaluations. In our independent role we will determine and report to the Congress on how well the agencies have discharged this responsibility as well as their other management and program responsibilities.

A. Reviews of Domestic Civilian Programs

Increasingly, we are providing the Congress and agencies with information on progress made in achieving program objectives, program deficiencies which impede operational success or increase program costs, and possible alternative approaches to accomplishing the objectives intended by Congress. For example:

- In a recently issued report we evaluated the Special Impact program of the Office of Economic Opportunity in Bedford-Stuyvesant. We found that after more than 5-years of federal funding, the program--designed to have a major impact on unemployment, dependency and community tensions--has had visible but limited impact on Bedford-Stuyvesant. We pointed out that even if the private sponsors had substantially met their goals, it is doubtful that the program, because of its limited scope, would have had more than a minimal impact on the area's problems, particularly jobs and housing.
- We recently reported to the Congress our assessment of Federal and State efforts to control air pollution from stationary sources. We pointed out that the Environmental Protection agency and the States generally have relied heavily on voluntary compliance, but that many polluters did not comply but were openly defiant of State authority. Our report disclosed factors contributing to the limited effectiveness of air pollution control and stressed the need for both State and Federal Governments to act within their areas of responsibility.

--Following our evaluation of the Aid for Dependent Children Program, we reported to the Congress that, overall, social services have had only a limited impact in helping AFDC recipients reduce dependency and achieve self support-- one of the objectives of the program. We pointed out factors contributing to this limited impact and concluded that, given the present nature of the program, it is not likely that this objective can be achieved.

We are approaching an increasing number of our reviews on a multiagency basis so that the results of our work will be more useful to the Congress, its committees, and members. For example, as one of the ways we are approaching the national energy issue, we are reviewing the effectiveness of Federal coal research programs with emphasis on results in providing alternative sources of environmentally acceptable energy. We are identifying all Government agencies involved in coal research, evaluating the administration and coordination of Federal coal research activities, and evaluating the results being achieved and the utilization made of such results.

As another example, 13 Federal departments or agencies operate 138 programs concerned with juvenile delinquency or youth development. We are now surveying the extent to which these programs are coordinated at the national and local levels.

Also, our work increasingly involves programs and issues of great present and future significance. For example, we intend to issue periodic reports to the Congress providing information on operation of the revenue sharing program among state and local governments as the program progresses. In a recent report to the Congress, we set forth the use being made of revenue sharing funds

by the states and the impact of the program on state governments. On the basis of a review now in process, we plan to provide the Congress with a similar report dealing with the program at the local government level. We are also surveying the distribution of revenue sharing funds to several midwestern townships to evaluate the criteria used to establish eligibility for participation in the program.

B. Reviews of International Programs

Congressional interest in international program and activities continues. Our work in this area has covered such subjects as trade development, fostering tourism in the United States, U.S. foreign assistance activities, and control of international traffic in drugs. For example:

- In November 1973 we reported ways in which U.S. Export Promotion could be improved. We pointed out that foreign markets are not analyzed systematically to identify areas of prime commercial importance, and export strategies are not adapted to the particular requirements and special opportunities of individual markets. In considering Federal agency legislation and appropriations concerning trade matters, we suggested that the Congress be regularly provided with Executive Branch plans to improve the U.S. balance of trade.
- Also, in November 1973 we reported to the Congress on programs of the United States Travel Service directed to increasing foreign visitor travel to the United States. In our report we concluded that USTS should devote more effort to motivating and directly assisting the U.S. and foreign travel trade to develop competitive package tours and other travel programs to the United States.

--In a recent report to the Congress on U.S. assistance to Brazil for educational development, we questioned the need for U.S. concessional aid to Brazil in view of such factors as Brazil's economic growth rate and substantial economic assistance from other sources. We suggested that the Congress might want to require the State Department and AID to identify that point at which a country no longer requires U.S. concessional assistance.

--We are currently reviewing U.S. anti-drug efforts in Latin America. Recognizing the significance of this area both in terms of drug production and as a base for trans-shipment from other areas of the world to the United States, our work is considering the nature and extent of cooperation between the United States and the various foreign governments in areas such as intelligence gathering and in actions to minimize corruption, improve custom capabilities, and develop action plans which identify specific priorities for drug control.

C. Management Reviews

We will continue to emphasize reviews of management problems covering such areas as procurement, logistics, communications and Federal personnel and compensation. Where useful these studies are conducted on a multiagency or Government-wide basis encouraging the adoption of successful practices as well as eliminating bad ones. For example:

--In an ongoing study, we are compiling information on the current and projected status of Federal retirement systems. We intend to raise some significant issues which must be faced in the funding of these retirement systems particularly with respect to unfunded liabilities which are occurring under the systems. We believe the issues are particularly pertinent and should be of interest to the Congress, ~~in view of pending Federal legislation concerning military and civilian retirement systems.~~

--Our emphasis in Federal procurement continues. For example, in a recent report to the Congress we discussed the results of our examination of the drug procurement activities of DOD, VA, HEW, and GSA. In this review

we concentrated on procurement deficiencies resulting from a lack of cooperation and coordination between DOD and VA. We found that for one drug, about \$420,000 could have been saved by better DOD-VA coordination.. Major procurement system deficiencies found include ineffective reporting of local buys to agency top procurement groups; several purchases of the same drugs by DOD and VA at different prices; failure to develop product specifications in some instances and overlapping specification development activities between DOD and VA; and overlapping quality assurance activities among DOD, VA, and FDA.

- As part of our continuing program to help improve material requirements determination in the military services, we reviewed the Air Force's determinations for certain types of modular electronic equipment. Use of modular design permits reduced purchases of spare equipment. We found, however, that the benefits of modular design were not being fully realized because of the use of unrealistic estimates as to equipment repair time and the mix of equipment and modules that was being sent to depot repair activities. As a result of our review the Air Force reduced equipment requirements for two types of aircraft by \$79 million and, more importantly, began taking actions designed to prevent a recurrence of the problems.

- Studies of the acquisition of major weapons systems will continue to be emphasized. For example, the Defense Department has several research and development programs directed to developing a ballistic missile defense system. These programs are the Safeguard, Site Defense, and Advanced Ballistic Missile Defense. We are currently reviewing these programs, with the objective of providing Congress with information on issues concerning the current status, requirements, and future direction of these programs. Also, in some cases the military uses a wide variety of weapons systems to meet a particular requirement. For example, numerous weapons systems, such as fixed wing aircraft, helicopters, missiles, tanks, mines, guns, and bombs are in inventory for destroying enemy tanks. We plan to look at several anti-tank systems to identify (1) unnecessary duplication of systems, (2) problems with deployed systems, and (3) whether deficiencies might justify acquiring new anti-tank systems.

In all, our work in this program category will require 2,194 manyears in FY 1975 as compared with 2,176 in FY 1974.

FINANCIAL MANAGEMENT IMPROVEMENT

As required by the Budget and Accounting Procedures Act of 1950, we:

- ° Prescribe accounting principles and standards for the guidance of executive agencies, cooperate in improving their systems, and approve them when they meet established requirements.
- ° Work with the Office of Management and Budget, the Treasury Department, the Civil Service Commission, and the General Services Administration in the Joint Financial Management Improvement Program, to stimulate improvements in accounting and other financial management practices.

As of January 31, 1974, principles and standards had been approved by GAO for 308 or 98 percent of the 315 accounting systems subject to approval. Designs for such systems had been approved for 122 or 39 percent. The Department of Defense is placing increased emphasis on systems development and good progress is being made. A few weeks ago, we completed approving the statements of accounting principles and standards for all of that Department.

We have further strengthened our participation in the Joint Financial Management Improvement Program. A major objective is to develop demonstration projects with the participation of agency personnel which can be useful in improving agency financial management systems.

JFMIP involvement in measuring Federal productivity will continue as a major effort directed toward improving Federal productivity. During the past year, efforts were directed toward identifying causal factors affecting productivity and providing technical assistance in developing or refining new productivity measures. Recent examples include the Naval Shipyards and the Internal Revenue Service. In both instances, such assistance is resulting in developing solutions in difficult to measure areas. Also, we are actively engaged with the Tennessee Valley Authority in developing a prototype productivity management model which should provide productivity indices for its major facilities, and we are participating with HUD in an experiment at San Francisco that has as its purpose developing a performance model for measuring the efficiency and effectiveness of its housing disposition program. Both project developments would have applicability in most other agencies.

We will also continue our leadership role in assisting Federal, State and local government agencies to strengthen and improve their auditing and program evaluation standards and methodologies.

Our work in this program area will require 137 manyears in FY 1975 as compared with 129 manyears in FY 1974.

EXAMINATION OF FINANCIAL SYSTEMS,
TRANSACTIONS, ACCOUNTS, AND REPORTS

Our work within this category is required by various statutes and includes:

- ° Review of Federal agency accounting systems in operation.
- ° Audit and settlement of accounts of accountable officers in Federal departments and agencies.
- ° Audits of financial operations of Government corporations and other business-type activities required by law annually.

Reviews of accounting systems in operation are made to determine whether they are being operated in an economical, efficient, and effective manner in compliance with GAO prescribed requirements. We determine whether they provide timely, accurate, and useful information and we make recommendations to correct indicated deficiencies.

Account settlement work involves evaluations of agency financial management systems, internal controls and internal auditing to the extent necessary to settle the accounts of accountable officers as required by law.

Work under this program category as a whole will require 286 manyears in FY 1975 as compared to 276 manyears in FY 1974.

CENTRALIZED AUDIT OF TRANSPORTATION PAYMENTS AND RELATED ACTIVITIES

The Transportation Act of 1940 requires us to postaudit all billings for transportation under standard Government transportation forms. Those audits resulted in collections of \$12.8 million in FY 1973 and \$4.2 million during the first half of FY 1974.

Legislation has been introduced in this Congress which we recommended that would transfer by July 1976 responsibility for the detailed audit of transportation payments to the executive branch in an agency or agencies to be designated by the Director of The Office of Management

and Budget. If this legislation is enacted, we would continue to be responsible for reviewing the administrative policies, practices, and procedures of the executive agencies assigned the audit responsibility. We would retain the functions of collection, compromise, or termination of transportation debts that are referred to GAO by other agencies. We would continue to render decisions and guidance to disbursing and certifying officers and heads of departments or agencies of the Government in advance of payment for transportation expenditures, and to claimants who request the Comptroller General to administratively review settlements involving questions of law or fact.

We will continue efforts to automate transportation audits and to make our audit systems compatible with agency systems. This approach will facilitate the later transfer of audit responsibility to the executive agencies.

As part of our audit of transportation payments, we provide assistance to the Department of Justice in the prosecution and defense of transportation suits by and against the United States. At the present time, 895 suits involving over 900,000 shipments (largely international shipments of household goods by the Department of Defense) are pending in the Court of Claims. We estimate the total liability of the United States could be in the range of \$25 to \$35 millions involving hundreds of thousands of claims. The processing and computations on this volume of cases will continue to impose heavy resource requirements through 1975 and beyond. This is a particularly critical area because of the requirements to meet court deadlines which we anticipate will be established to bring the litigation to a conclusion.

In order to reduce staff requirements, we have developed a statistical plan which has the concurrence of the Department of Justice, the carrier litigants, and the Court of Claims. It will be applied to arrive at a unit value per shipment as a basis for settlement of each of the 895 suits in litigation.

All of this work is performed centrally in Washington by our Transportation and Claims Division and will require 476 manyears in FY 1975 as compared with 506 manyears in FY 1974. The decrease of 30 manyears can, for the most part, be attributed to the progress we have made in automating our transportation audits.

CLAIMS SETTLEMENT AND DEBT COLLECTION

GAO settlement of claims against the United States provides aggrieved parties an impartial and independent settlement of their claims, at little or no expense to them, by a forum that is completely independent of the agencies out of whose operations the claims arise. It also significantly reduces the burden of the courts and the Department of Justice in that possible litigation is avoided.

Claims against the United States referred to the GAO for settlement are those required by statute to be paid on settlement of this Office and those involving doubtful questions of law or fact. The normal volume of these claims ranges between 6,000 and 8,000 annually.

We also examine and adjudicate claims involving amounts owed to the United States which were referred to us because:

- There is administrative doubt as to the liability of the debtor or the amount of the debt;
- Debt collection efforts have been unsuccessful; or

--A waiver of U.S. claims has been requested for erroneous payments of pay to executive branch employees.

We will continue to (1) intensify our reviews of agency claims settlement and debt collection activities with the objective of improving executive agency operations and (2) streamline our procedures to enable processing of a greater number of claims. We plan to use 159 manyears in this program category in fiscal year 1975 as compared with 157 manyears in fiscal year 1974.

FEDERAL ELECTION ACTIVITIES

This category involves GAO performance of functions required by the Federal Election Campaign Act of 1971 and the Presidential Election Campaign Fund Act approved on December 10, 1971.

The Presidential Election Campaign Fund Act permits taxpayers to check \$1 (\$2 on joint returns) of their Federal income tax payments for public financing of Presidential election campaigns. It requires the Comptroller General to certify amounts to be paid to the Presidential and Vice Presidential candidates from the special fund and to monitor the expenditure of these funds by the candidates and their organizations. No payments from the special fund will be made until midway through 1976. Consequently our work in FY 1975 will be concerned with developing regulations and planning future operations under the Act.

Our responsibilities flowing from the Federal Election Campaign Act of 1971 constitute the more significant requirement for resources in FY 1975. That Act requires the Comptroller General (1) to prescribe regulations and perform related functions involving communications media usage; (2) to serve as a supervisory officer and administrator

of the law with respect to disclosure of Presidential campaign contributions, expenditures, and campaign funds and, (3) to perform a national clearinghouse function with respect to research and information on the administration of elections.

During FY 1975, our work in connection with Federal election activities will require 110 manyears as compared to 100 manyears for FY 1974. Much of our work in FY 1975 will involve an extensive audit and analysis program directed to making disclosures during the period between elections to benefit future political money managers and to advise the Congress on the effectiveness of the law and on recommendations for changes.

LEGAL SERVICES AND DECISIONS

Our legal work extends, with certain exceptions, to virtually the full range of the Government's receipt and expenditure activity. This work serves:

- GAO auditors in connection with questions which arise during their review of agency programs and operations.
- Heads of departments and agencies as well as disbursing and certifying officers concerning the legality or propriety of proposed expenditures of Federal funds.
- Contracting and procuring officers in connection with proposed awards of Government contracts.
- Bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied.
- Individuals and firms whose claims have been disallowed by actions of the Transportation and Claims Division.

Under the law decisions of the Comptroller General in these matters are final and conclusive upon the executive branch of the Government and payments made contrary to our decisions are subject to

disallowance. Private concerns and individuals who may be adversely affected have further recourse to the courts in most cases. In addition, legal and technical services are provided by our attorneys to the Department of Justice in the prosecution and defense of transportation suits by and against the United States.

To provide the required legal services and decisions, apart from direct assistance to the Congress, we plan to use 202 manyears in 1975, as compared with 197 manyears in 1974. The small increase will permit us better to keep pace with increases in our case load.

EXECUTIVE DIRECTION AND MANAGEMENT SERVICES

This program category includes:

- Direction and control of the operations of the General Accounting Office by the Office of the Comptroller General.
- The functions of the Office of Policy, the Office of Program Planning, and the Office of Internal Review involving policy formulation, long-range planning, budget formulation and internal review.
- General administrative services, accounting, and records management.
- Personnel management, recruiting, and staff development.
- Computer services and system development.
- Organization and management analysis studies and services.

These activities, which require 454 manyears in FY 1975 compared with 440 in FY 1974, are necessary for effective management and administration of the Office in support of the operating divisions. Improvements in these areas continue to permit us to more effectively and efficiently support the operating divisions and offices in their auditing, reporting, and management activities.

* * * * *

Mr. Chairman, I have covered briefly the highlights of GAO programs and our staffing and resource requirements to support them.

My associates and I will be happy to answer any questions you may have.

COLLECTIONS AND OTHER BENEFITS

The effects of recommendations made by GAO in connection with its audits or reviews were actions taken by Federal agencies during fiscal year 1973 to improve their activities along the lines suggested. For many of these it was impractical to determine the dollar savings that might be realized. You will find examples of such benefits beginning on page 243 of the Comptroller General's Annual Report.

Refunds, collections, and financial savings or revenues that could be determined to have resulted from GAO audits and reviews amounted to \$284.1 million during fiscal year 1973 as follows:

Refunds and collections:	(In millions)	
Audits of departments and agencies	\$ 6.7	
Transportation audits	12.8	
General claims work	<u>4.1</u>	\$23.7
Other savings:		
Payments to Government employees and other individuals	10.3	
Manpower utilization	6.4	
Facilities construction	65.2	
Communications	6.3	
Logistics	14.4	
Supply management	119.8	
Miscellaneous	<u>38.1</u>	<u>\$260.4</u>
Total savings attributable to the work of GAO		<u>\$284.1</u>

Of the \$23.7 million in collections \$11.4 million was deposited in the Treasury in current appropriation accounts and \$5.5 million was deposited in general fund and lapsed accounts in the Treasury. The remaining \$6.7 million in collections represents offsets that have been taken against amounts currently due as well as direct collections by various departments and agencies resulting from GAO audit work.

The \$260.4 million in other measurable savings includes reductions or elimination of payments, costs, or expenses that would have been made or incurred as well as revenues which would have been lost except for the adoption of recommendations or suggestions made by the General Accounting Office.

Savings of approximately \$35 million are recurring in nature and will continue in future years.

REPORTS TO COMMITTEES AND MEMBERS OF CONGRESS
FISCAL YEAR 1973 AND
FIRST 7 MONTHS OF 1974 AND REQUESTS
ON HAND AT JANUARY 31, 1974

	<u>Number of Reports</u>		<u>Requests on Hand 1/31/74</u>
	<u>FY 1973</u>	<u>7 Months of FY 1974</u>	
House Committee:			
Appropriations	17	7	9
Armed Services	2	3	1
Government Operations	16	14	21
Post Office and Civil Service	5	12	3
Banking and Currency	4	1	1
Education and Labor	2	1	5
Interstate and Foreign Commerce	3	2	1
Public Works	1	3	1
Foreign Affairs	1	3	3
Interior and Insular Affairs	3	--	3
Judiciary	9	--	3
Merchant Marine and Fisheries	4	--	5
Science and Astronautics	3	--	2
Permanent Select Committee on Small Business	1	3	--
Veterans Affairs	2	--	--
Ways and Means	7	--	1
Agriculture	--	--	1
Select Committee on House Beauty Shop	--	1	--
House Administration	1	1	--
Selection Committee to Regulate Parking	1	--	--
Internal Security	--	--	1
Select Committee on Committees	--	--	1
Total House	<u>82</u>	<u>51</u>	<u>62</u>

Senate Committee:

Appropriations	14	1	12
Special Committee on Aging	2	1	2
Armed Services	6	1	5
Aeronautical and Space Sciences	1	--	2
Finance	5	1	3
Foreign Relations	3	2	3
Post Office and Civil Service	--	1	--
Interior and Insular Affairs	17	2	2
Government Operations	6	3	7

	<u>Number of Reports</u>		<u>Requests on Hand 1/31/74</u>
	<u>FY 1973</u>	<u>7 Months of FY 1974</u>	
Senate Committee (cont.):			
Judiciary	--	1	2
Labor and Public Welfare	6	4	9
Public Works	5	--	6
Select Committee on Small Business	--	--	2
Banking, Housing, and Urban Affairs	1	1	--
Commerce	1	--	5
Agriculture and Forestry	3	1	2
Veterans' Affairs	--	1	4
Rules and Administration	--	1	2
Select Committee on Nutrition and Human Needs	--	<u>1</u>	<u>2</u>
Total Senate	<u>70</u>	<u>22</u>	<u>70</u>
Joint Committee:			
Atomic Energy	6	--	--
Economic	13	8	11
Internal Revenue Taxation	--	1	3
Congressional Operations	1	--	1
Printing	--	--	2
Reduction of Federal Expenditures	--	--	<u>1</u>
Total Joint	<u>20</u>	<u>9</u>	<u>18</u>
Total All Committees	<u>172</u>	<u>82</u>	<u>150</u>
Individual Requests by Members and Officers of Congress	<u>180</u>	<u>119</u>	<u>286</u>
TOTAL	<u>352</u>	<u>201</u>	<u>436</u>