

STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
LEGISLATIVE SUBCOMMITTEE, APPROPRIATIONS COMMITTEE
HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1972

MAR 30 1971

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate the opportunity to present for your consideration our budget estimates for fiscal year 1972 and to discuss with you the operations of the General Accounting Office. The justifications we have furnished your Subcommittee provide details of our organization, our work programs and plans, and related budget requirements in terms of manpower and money. We have furnished the Subcommittee our 1970 Annual Report to the Congress which presents details on the results of our operations last year.

My statement is designed to set forth the major factors considered in preparing our budget for fiscal year 1972.

As you know:

Our appropriation for 1971 was	\$74,020,000
Our revised 1971 estimate includes a supplemental request of	<u>5,971,000</u>
The total revised estimate for 1971 is	\$79,991,000

Our request for the 1971 supplemental appropriation includes funds to cover pay increase costs totaling \$5,678,000 for both Public Law 91-231 (effective December 28, 1969) and Public Law 91-656 (effective January 10, 1971). Also included in our supplemental request are \$173,000 for the increased cost of contributions for Federal employee

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group health benefits as required by Public Law 91-418 (effective January 10, 1971) and \$120,000 for the increased cost of travel by air resulting from a tax (effective July 1, 1970) imposed by Public Law 91-258.

Let me give you some idea of the effect recent pay and other increases have had on our appropriation. If we calculate the cost of items included in our 1972 estimate of \$87,598,000 at 1967 costs, our estimate would be about \$23 million less and would total about \$65 million. This represents an increase over the 5-year period of about 36 percent.

For fiscal year 1972, our estimate totals \$87,598,000 or an increase of \$7,607,000 over our revised 1971 estimate.

This increase is composed of:

- . The additional cost of the January 10, 1971, pay increase to put it on a full year basis \$ 2,267,600
- . A net increase of 177 in the average number of employees (162 professional staff and 15 others) 2,060,300

which includes the following items:

Salaries	\$1,560,900
Benefits	156,900
Travel	286,000
Other costs	56,500

. Other increases in salary costs \$ 2,585,300

which include the following:

Periodic step increases . . \$ 823,600

Promotions to fill vacancies
and grade increases . . . 1,561,600

Other increases (net) . . . 200,100

. Increases in employee benefit costs 422,000

which include the following:

Contribution to employee
health benefits fund . . \$ 193,200

Contribution to retirement
fund 211,900

Other increases (net) . . . 16,900

. Increases in travel and per diem costs 132,000

. Net increase in other objects 139,800

In preparing our 1972 estimates, we considered the growing demands on the General Accounting Office imposed through:

- . Recent legislative and other congressional actions
- . Increases in specific requests of congressional committees and individual members of Congress for GAO work
- . Expansion and growth of Government programs, and
- . Congressional efforts to intensify and broaden GAO reviews of programs to better assist the Congress in its oversight responsibilities

We have found it necessary to request for fiscal year 1972 an increase of 177 average positions over our revised fiscal year 1971 estimate of 4,744, or a total of 4,921 average total staff for fiscal year 1972. The requested increase of 177 is made up of 162 professional positions and 15 support positions. The increase will be applied primarily to activities involving direct assistance to the Congress and to reviews of growing domestic civil programs.

Impact of Recent Legislative and Other Congressional Actions
on GAO Programs

The general purpose of certain sections of the Legislative Reorganization Act of 1970 was to provide for better use of the General Accounting Office as an arm of the Congress in examining and analyzing the management of existing Federal programs and further increasing our staff assistance to legislative committees during their consideration of proposals or appropriations for new or revised Federal programs.

Section 204 directs the Comptroller General to review and analyze the results of Government programs and activities carried on under existing law, including the making of cost benefit studies, when ordered by either House of Congress, or upon his own initiative, or when requested by any committee of the House or Senate, or joint committee of Congress, having jurisdiction over such programs and activities.

Section 204 also directs the Comptroller General to have available in the General Accounting Office employees who are expert in analyzing and conducting cost benefit studies of Government programs. On request, these employees are to assist committees analyze cost benefit studies furnished by Federal agencies or conduct cost benefit studies of programs under their jurisdiction.

Section 231 directs the Comptroller General, at the request of any committee or committee staff, to explain and discuss any report made by the General Accounting Office which would assist in consideration of proposed legislation, including requests for appropriations, or in its review of any program or operation of any Federal agency within its jurisdiction.

We anticipate that these provisions of the Legislative Reorganization Act of 1970 will increase the assistance requested by congressional committees for reviews of existing Federal programs and activities and on proposed legislation. Other provisions also will result in increased assistance to the Congress, such as Section 201 which requires the Comptroller General to cooperate with the Secretary of the Treasury and the Director, Office of Management and Budget, in developing, establishing, and maintaining a standardized information and data processing system for budgeting and financial data. Also Section 451 makes subject to GAO audit those private organizations which perform services in or on the U.S. Capitol buildings or grounds.

We expect that two other significant legislative actions will continue to impact directly or indirectly on GAO work. These are the establishment of the Cost Accounting Standards Board, chaired by the Comptroller General, and the establishment of the Commission on Government Procurement of which the Comptroller General is a member. Nine GAO staff members are presently assigned full time to the Procurement Commission which was directed to study the statutes, policies, and practices followed by executive agencies in procuring facilities, material, and services.

A number of recent legislative acts provide for audits by the General Accounting Office. For example, Public Law 91-599, which authorizes U.S. participation in increases in the resources of certain international financial institutions, requires an audit of the administrative expenses of the Exchange Stabilization Fund by the General Accounting Office. Other legislation which increases Federal program levels or creates new programs will require expansion of GAO's auditing and review activities. Public Law 91-230, for example, expands programs of assistance for elementary and secondary education and includes GAO access to records provisions as do the Occupational Safety and Health Act of 1970, the Clean Air Amendments of 1970, the Housing and Urban Development Act of 1970, the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970, the Intergovernmental Personnel Act of 1970, and the Emergency Rail Services Act of 1970, to name just a few.

A provision of the Armed Forces Appropriation Authorization (1970) directed us to make a study of profits made by contractors and subcontractors under defense and certain other Government contracts for which there was

no formally advertised competitive bidding. Our report on this extensive study was released on March 17. We expect, however, that follow-up work in this general problem area will be required.

As you know, we have been limited in our audit of Internal Revenue Service activities because the Treasury Department has denied GAO access to information regarding tax administration activities. Recently, however, at the request of the Joint Committee on Internal Revenue Taxation, we have, as agent for the Committee, begun a study of the handling and collection of taxpayers' delinquent accounts. The purpose of the study is to evaluate procedures and controls used, to identify problem areas, if any and to make recommendations to the Joint Committee on Internal Revenue Taxation if we believe improvements are needed.

In preparing our budget, we have considered, to the extent practicable the impact of legislative actions, such as those identified, on GAO resource requirements.

I will now comment on the seven major program categories.

DIRECT ASSISTANCE TO THE CONGRESS

The GAO staff resources applied to activities involving direct assistance to the Congress have more than tripled from 238 man-years in 1966 to about 724 man-years in 1971. We anticipate that these activities will increase further to 760 man-years in 1972. Nearly 20 percent of our professional staff resources is applied to this work.

This direct assistance work results primarily from specific legislative action by the Congress and requests of congressional committees, and individual members of the Congress. During fiscal year 1970, we issued 321 reports, covering a wide variety of studies and inquiries requested by committees and individual members. This compares to 204 in 1969. For the first half of fiscal year 1971, we issued 163 reports and at December 31, 1970, we had on hand an additional 117 requests on which our staffs were performing required work.

Audits and reviews requested by committees and individual members and those directed by legislation, of course, constitute the bulk of our direct assistance to the Congress. However, we also provide direct assistance to the Congress through:

- . Testimony on the results of our audits and reviews of Federal programs and operations and on other matters
- . Direct assignment of GAO staff to committees
- . Reports on bills under consideration by congressional committees and advice in legal, legislative, accounting, and auditing matters
- . Advice and assistance on House and Senate financial and administrative operations, including accounting and auditing services provided and request audits of legislative branch activities, including concessionaires

- . Liaison activities with congressional committees and individual members provided by the attorneys in our Office of Legislative Liaison and other members of our staff
- . Furnishing information to committees, individual Congressmen and their staffs on a wide variety of matters

Together with representatives of the Library of Congress and the Clerk of the House, we are also providing direct assistance to the House Administration Committee in developing a program for the use of computers by the House of Representatives. The First and Second Progress Reports of the Committee's Working Group on Automatic Data Processing for the House of Representatives were submitted to the House Administration Committee in October 1969 and October 1970.

Examples of Requests for Reviews
Received from Committees and Individual Members

Not only has the number of requests from committees and individual members increased, but the magnitude of the work involved in some has been substantial. I would like to give you just a few examples.

Military Activities

We are continuing our reviews of selected automatic data processing systems as requested by the House Committee on Appropriations. These reviews are concerned with the effectiveness of the Department of Defense's management of the development and installation of these systems and the acquisition of related equipment. Since July 1970, we have issued two reports to the Committee--one on the management of automatic data processing systems in the Department of Defense

(August 1970) and one on problems in the acquisition of standard computers for the World-wide Military Command and Control System of the Department of Defense (December 1970). Currently, we have 25 ADP systems under review. These include 20 tactical data systems, four logistics systems, and one administrative system. We recently issued a report on computer simulations, war gaming, and contract studies and one on potential problems in developing the Air Force's logistics system.

We plan to review selected additional systems based on our findings as work on those currently under review is completed.

At the request of the Chairman, House Committee on Appropriations, we reviewed the operation and management of nonappropriated fund activities at selected installations of the Department of Defense in the United States, Europe, and the Far East. With the issuance of a report on February 23, 1971, we completed a series of reports on 12 individual installations. We recently issued a report on military exchange activities and will shortly issue an overall report on non-appropriated fund activities of the Department of Defense.

We recently completed a study of the proliferation of tactical air-to-ground missiles in the Department of Defense at the request of the Chairman, Senate Committee on Armed Services. That study covered the Tow and Shillelagh anti-tank missile system, the Condor program, and the Maverick program.

Another review which is being performed at the request of the Chairman, Special Subcommittee on Military Airlift, House Committee on Armed Services, is a study of the long-range plans for military airlift/sealift capability to meet world-wide requirements.

Domestic Civil Activities

Congressional requests for studies of domestic civil activities cover a very wide range of programs and subjects. At December 31, 1970, we had on hand 72 such requests in various stages of completion. I should like to give you just a few examples of the areas of congressional interest in civil activities.

At the request of the Senate Committee on Finance and the House Ways and Means Committee, we reviewed selected medicare payments, made by Blue Shield plans in various states, to supervising and teaching physicians. Our reports were used by the committees in their consideration of proposed legislation which would change the basis for reimbursement of teaching physicians' services from a fee-for-service basis to a cost-reimbursement basis under certain conditions. The Committee on Finance estimated that payments for the services of supervisory physicians in teaching hospitals involved more than \$100 million annually and that, in general, such payments were not customary prior to medicare and that it was not intended that medicare would cover noncustomary charges.

In another study, requested by the Joint Committee on Atomic Energy, we reviewed the policies and procedures of the Atomic Energy

Commission for the management of radioactive waste. In our report dated January 29, 1971, we recommended that the Atomic Energy Commission's Division of Waste and Scrap Management formulate and implement a comprehensive radioactive waste management plan.

On June 15, 1970, the Joint Committee on Atomic Energy asked us to review certain factors relating to the Atomic Energy Commission's proposal to amend its Uranium Enrichment Services Criteria to change the basis for computing the charge for such services from a cost recovery basis to one which would be more closely comparable to that of a commercial operation. The Commission also proposed to increase its price for separating the isotopes of uranium in the gaseous diffusion plants. On July 17, 1970, we issued a report to the Committee in which we stated that the proposed criteria should not be adopted without further action by the Congress because it was of doubtful legality. After the issuance of our report, the Joint Committee introduced legislation which was enacted on December 19, 1970, to prohibit AEC from changing the criteria as it had proposed.

International Activities

In the international area, congressional interest in programs and activities related to Vietnam and Southeast Asia continues to result in specific requests for audits and reviews. Of 18 reports issued in response to requests from congressional committees between July 1 and December 31, 1970, 12 related to management and administrative problems in Vietnam or Southeast Asia. At January 1, 1971, we had

7 reviews in process pertaining to matters of an international character resulting from requests of congressional committees and members of Congress.

As an example of our congressional assistance work in the international area, I shall describe our work on one request received from the Chairman, Senate Committee on Foreign Relations, involving the administration of the military assistance training program. Our review was carried out in approximately 10 countries overseas as well as at installations in the United States. We found that, in some areas, the military assistance training programs, costing about \$75 million a year, were not being fully coordinated with the various other U.S. Government training programs. We also found that some training was unnecessary or not of high priority; some training was related to equipment not on hand; and there was inadequate consideration by the U.S. resident military advisers of the recipient countries' capabilities to provide training from their own resources. We recommended in our report of February 16, 1971, specific actions to improve the management of the military assistance training programs. We also suggested the possibility of enacting legislation requiring the Secretary of Defense to establish a measurement system to assist in determining the effectiveness of expenditures for the military assistance training programs.

REVIEWS OF MANAGEMENT EFFICIENCY AND PROGRAM RESULTS

The work that we undertake on our own initiative, directed to evaluating whether programs are achieving the objectives intended by the Congress and at reasonable cost, materially assists the Congress and its committees in maintaining effective legislative oversight of governmental programs and operations. In selecting areas for review, we give primary attention to those areas known or considered to be of direct interest to the Congress or which, in our judgment, should be reviewed by GAO as an arm of the Congress. In making these judgments, we give due consideration to the importance and effectiveness of programs and activities, size of expenditures, investment in assets, etc., through our program planning system.

The 2,273 man-years which we plan to apply to these reviews during fiscal year 1972 represent an increase of 139 man-years over the revised fiscal year 1971 program level. In total our plans provide for directing reasonable review efforts to all important Federal program areas.

Domestic Civilian Programs

In the years ahead, we envision continued growth in the number and size of domestic civilian programs and in the portion of total Federal budget resources applied to them. I am referring especially to programs related to poverty, health, education, housing and urbanization, and environmental quality. Accordingly, we are planning to increase, during fiscal year 1972, our total

manpower applied to reviews of domestic civilian programs by 187 man-years. While some increased audit emphasis will be applied to all civil departments and a number of the larger independent agencies, the more significant increases will be applied to the Departments of Health, Education, and Welfare, Transportation, Labor, Housing and Urban Development, and the newly-created Environmental Protection Agency. These agencies account for a net increase of about \$8.2 billion of the \$16.4 billion increases in Federal budget outlays proposed by the President for 1972.

In planning our reviews of domestic civil programs, we are attempting to look more than previously at related programs which cross agency lines. For example, we have made one of our senior officials the point for coordination of all GAO work in the medical and health-related activities. Total Federal outlays for health in 1972 are estimated at about \$22.2 billion compared to \$20.7 billion in 1971. We have underway studies of (1) comprehensive health planning, (2) health facilities construction, (3) health activities related to sanitation, drug manufacture, and consumer protection, and (4) purchases of drugs for use in Federal hospitals.

Additional domestic civil program areas to which we plan to direct increased attention during 1972 are:

- . Education, especially higher education and elementary education

- . Public assistance and family services programs
- . Urban renewal and model cities activities
- . Manpower programs
- . Air traffic control systems development and operation
- . Federal-aid highway programs, highway safety programs,
and urban mass transportation
- . Air and water pollution and solid waste management
- . Consumer protection programs

In other program areas, such as those of the Departments of Agriculture, Commerce, Interior, Justice, Treasury, and most independent agencies, we anticipate that our overall level of effort will remain substantially at the same level as 1971.

Defense Programs

We are planning to reduce our overall effort in the defense area to 1,256 man-years in fiscal year 1972. Although this represents a relatively small reduction of about 70 man-years as applied in 1971, our 1971 requirements were considerably increased by the study directed by the Congress of the profits made by contractors and subcontractors on contracts on which there is no formally advertised competitive bidding. We are not anticipating that the Congress will either legislate or request during fiscal year 1972 a study of this magnitude.

Of the 1,256 man-years we plan to apply to defense activities, 908 will be applied to surveys and reviews initiated within GAO

and 348 to special requests received from congressional committees and individual members.

As in previous years, a significant portion of our effort will be devoted to defense procurement activities. We plan to continue in-depth reviews of contract pricing by defense procurement agencies. We are starting an extensive study of the use of formal advertising methods in procuring military equipment and supplies. We plan also to perform "should cost" studies at selected contractors' plants. Also, we are currently reviewing the reasonableness of costs incurred under major prime contracts, such as those for the C-5A, F-14, F-15, and COBRA aircraft programs. In addition to pricing and costing studies under negotiated contracts, we plan to make studies of such aspects of procurement as quality assurance, Government-furnished materials, emergency procurement procedures, contract administration and termination activities, value engineering, processing of contractors' claims, operation of Government-owned-contractor-operated (GOCO) plants, and competitive and noncompetitive procurement practices.

In view of the congressional concern with regard to the problems identified in the acquisition of major weapon systems, we plan to continue our reviews of major weapon systems which are in various stages of the acquisition cycle. We have as our primary objectives in these reviews the determination of the basic causes of cost growth, schedule slippage, and deterioration of the originally expected

performance characteristics. We are giving particular attention to providing effective assistance to the Armed Services and Appropriations Committees by furnishing independent, timely, and complete information on the status of specific major weapon systems, as well as on overall issues involved in the management of the acquisition process, for use in carrying out their legislative and oversight responsibilities. We issued our most recent report on the acquisition of major weapon systems on March 18.

We are currently conducting a review of close air support which in some aspects is similar to our review of air-to-ground missiles. We initiated this review because of significant congressional interest concerning the possibility of duplicating defense expenditures for different weapon systems to fulfill the close air support mission. The systems in question are the AH-56 (Cheyenne), the A-X, and the AV-8A (Harrier). Our main objective is to provide principal committees and other concerned members of Congress with observations on how the aircraft in question meet the close air support mission requirements. We plan to provide this information in time to assist the Congress in their deliberations on Defense requests for fiscal year 1972.

We will continue our coverage of the supply management functions in the Department of Defense since we continue to find areas requiring significant improvement. Examples of areas currently under review or planned for review include equipment and material requirement

determinations; repair of major items vs. procuring new items; readiness of equipment and material in the hands of military units in the U.S. and abroad; maintenance activities; and utilization of excess material.

In the manpower management area we will be examining practices in assigning and utilizing military personnel; education and training programs; and administration of military and civilian pay and allowances. In the research and development area we will be examining into such matters as contractors' independent research and development; management of research projects being performed in military facilities, universities, not-for-profit organizations, and industrial laboratories; and research and development of specific systems and equipment. In the defense facilities area we will be reviewing both the acquisition and management of the facilities. Our work in the support services area includes such matters as ADP systems, communications activities; civil defense, medical activities, industrial facilities at Government-owned plants, and military commissaries.

International Programs

In the international program area our workload for fiscal year 1972 will continue to be associated with the very large expenditures of the various U.S. Government agencies in Vietnam and Southeast Asia. We also plan to continue reviews of other foreign assistance and related programs. We will review trade and international commerce activities, particularly the industrial and agricultural

trade expansion programs and their relationships to our balance-of-payment problems. We will be inquiring into changes in the structure of U.S. foreign assistance programs, such as trends toward regional programs and increasing reliance on multilateral international financial institutions, i.e., the World Bank and regional development banks.

Most of the international programs continue to be performed by the Department of State and the Department of Defense. However, other U.S. Government departments and agencies are also engaged in administering international programs or elements of them. These include:

- . Department of the Treasury--International Finance Functions
- . Post Office Department--International Services
- . Department of Commerce--International Programs and Affairs
- . Department of Agriculture--Foreign Agricultural Functions
- . United States Information Agency
- . Peace Corps
- . Export-Import Bank of the United States
- . Various independent agencies, such as NASA, AEC, etc.

We plan to expand our reviews in these activities since many international programs involve interrelated programs in which several departments and agencies, or coordinating bodies, participate.

Transportation Management

The Government's \$6 billion expenditures for transportation of equipment, material, and personnel will continue to require audit

emphasis. We plan increased attention to the impact of containerization in the shipment of materiel for the Department of Defense involving the inland and overseas portions of the movements, and to the adequacy of the Department's freight rate negotiations for these and other movements. We also plan to review the readiness of transportation support units in Europe. The management of selected civil transportation activities, including those of the General Services Administration in support of components of the Department of Defense, will also be reviewed.

Under the Joint Financial Management Improvement Program, we participated in the Joint Agency Transportation Study. The report, released in September 1970, included 58 recommendations to simplify and expedite payment and audit procedures, and to reduce the cost of transportation. This will require follow-up action by the General Accounting Office.

Claims Management

The Federal Claims Collection Act of 1966 has increased the authority of the departments and agencies to compromise and terminate debts due the U.S. We have reviewed the regulations and collection operations of a number of representative agencies under this statute and found a need for substantial improvement.

We plan, therefore, to expand our reviews of both claims collection and claims settlement activities, as well as those involving the waiver of certain debts due the Government to insure that they are being appropriately administered.

EXAMINATION OF AGENCIES' FINANCIAL STATEMENTS,
ACCOUNTING SYSTEMS, AND ACCOUNTABLE OFFICERS' ACCOUNTS

Our work in connection with the examination of agencies' financial statements, accounting systems, and accountable officers' accounts is required by various statutes and includes:

- . Centralized audit of transportation payments
- . Annual audits of corporations and other governmental activities
- . Centralized voucher audits at military finance centers, including account settlement
- . Settlement of accounts of accountable officers in civil departments and agencies
- . Audits of civilian pay and allowances
- . Reviews of accounting systems in operation

The number of staff positions needed in fiscal year 1972 to carry out these financial-type audit activities will be 1,020 compared to 1,032 in 1971. We plan to shift our emphasis within this program area. For example, we are reducing the estimated staff resources needed for the centralized audit of transportation payments since we expect a decrease in the volume of transportation bills applicable to shipments to Vietnam and Southeast Asia. We are planning, on the other hand, to increase somewhat manpower resources applied to reviews of department and agency accounting systems in operation to determine whether these systems provide adequate and reliable information on program and activity costs and related results.

The Transportation Act of 1940 requires the GAO to postaudit all billings for transportation under standard Government transportation forms. This activity, performed centrally in Washington by our Transportation Division, will require the application of 651 man-years in fiscal year 1971 and 630 man-years in 1972, a reduction of 21 man-years. In addition to an anticipated reduction in the volume of transportation payments for audit, we expect to achieve additional economies through increased use of computerized audit techniques. During fiscal year 1970, a total of 108,499 overcharge notices by the United States against carriers amounted to \$17.7 million. During the same period we collected \$16.3 million.

The Government Corporation Control Act of 1945 and other specific statutes require annual audits of financial statements in accordance with principles and procedures applicable to commercial corporate transactions. During the last session, the Senate passed legislation which would provide for this type of audit at least once every 3 years. This would, we believe, be desirable in that it would give us more flexibility in the use of our professional staff for higher priority work.

LEGAL SERVICES AND DECISIONS

The legal work of the Office extends, with certain exceptions, to virtually the full range of the Government's receipt and expenditure activity.

Many legal questions arise as a result of our audits and reviews of agency operations. Heads of departments and agencies as well as disbursing and certifying officers have a statutory right to submit for advance decision any question on the legality or propriety of proposed expenditures of Federal funds. Contracting and procurement officers may also obtain decisions on questions arising in connection with proposed awards of Government contracts. Also, individuals and firms whose claims have been disallowed by actions of our Claims and Transportation Divisions and bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied may apply for decision. 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.

The legal work includes the preparation of decisions concerning the legality and propriety of the receipt and expenditure of public funds; the preparation of advisory opinions and reports on proposed and pending legislation to members of Congress and congressional committees, and to the Office of Management and Budget; and the formulation and presentation of legislative recommendations to the Congress.

As you know, the Comptroller General has responsibility for determining the legality of expenditure of appropriated funds. This decision function, involving the interpretation and application of Federal statutes and regulations, has produced a large body of decisions over the years which serve as guidelines applicable to receipt and appropriated fund expenditure transactions of the Government.

Of the 226 man-years we estimate will be needed to carry out the legal activities of the Office in 1972, 188 will be in our General Counsel's office and 38 in our Transportation Division. The Transportation Division provides legal and technical assistance to the Department of Justice in the prosecution and defense of transportation suits by and against the United States as well as in cases before the Court of Claims.

The contract area continues to constitute the largest individual category of our legal decision work. Recent decisions of the District of Columbia Court of Appeals in Scanwell Laboratories, Inc. v. Thomas and of the District Court for the District of Columbia in A. G. Schoonmaker Co., Inc. v. Resor, et al., have altered certain concepts relating to the rights of those who bid for Government contracts. These decisions and the work of the Commission on Government Procurement (created by Public Law 91-129 with the Comptroller General as a statutory member) will significantly affect the Government procurement process and have already had an impact on the work of our Office. Two of our lawyers are assigned full time and two are working part time for the Procurement Commission. In addition, the Office was requested to prepare several

studies for use by the Commission. Additional work of this type is anticipated.

We are also asking for 6 additional staff positions over our 1971 level to meet the increased workload of our legal staff due to the growing complexity of our audit work and to handle an increased volume of bid protests.

FINANCIAL MANAGEMENT IMPROVEMENT

In recent years the Office has devoted considerable effort in assisting the Federal agencies in their efforts to improve their accounting systems to the point where they can be approved by our Office, as required by the Accounting and Auditing Act of 1950. In 1966, about a third of the civil departments and agencies and only the Corps of Engineers (civil functions) had approved systems. By June 30, 1970, the number of system approvals in civil departments and agencies had increased to approximately 50 percent of those subject to approval. In addition, for the Department of Defense, we have approved 26 statements of accounting principles and standards as well as 4 systems designs. We plan to continue to work with all agencies in promoting improved systems and methods of producing reliable financial and program information.

A major financial management project started last year is the development of auditing standards and guidelines for application under Federal grant programs. This work is being carried out under GAO leadership by a working group composed of representatives of the principal Federal agencies involved in grant programs. Assistance

is being obtained from State and local governments and various professional organizations. The objective is to develop audit standards and guidelines that will be applicable to audit work performed at State and local government levels and for other recipients of Federal grants irrespective of who performs the audit work.

CLAIMS SETTLEMENT AND DEBT COLLECTION

The Budget and Accounting Act of 1921 places final responsibility for settling most claims for and against the Government in the General Accounting Office. The passage of the Federal Claims Collection Act of 1966 increased the authority of the departments and agencies to compromise and terminate debts of the United States under certain conditions. As agencies gain more experience in exercising the authority granted under the act and their debt collection operations improve, it is expected that the GAO debt collection operations will gradually diminish. Accordingly, we plan to decrease from 141 in 1971 to 139 in 1972 the man-years applied to these claims activities.

EXECUTIVE DIRECTION AND ADMINISTRATIVE SUPPORT

Our program category of Executive Direction and Administrative Support includes:

- . Control and direction of the General Accounting Office and performance of duties by the Comptroller General as specified in the Budget and Accounting Act of 1921, the Budget and Accounting Procedures Act of 1950, the Legislative Reorganization Act of 1970, and other laws
- . Policy review of reports prior to release
- . Administrative services
- . Personnel management

These activities, which will involve 391 man-years in fiscal year 1972, are necessary to the internal management and administration of the Office.

Mr. Chairman, I have covered, very briefly, the highlights of our major program requirements and operations. We are very proud of the high quality and productivity of the members of our organization, both in Washington and in the field. It is our goal to make continuing improvements in this respect. To this end, we will devote increased effort to improving our program planning, as well as our internal organization and management practices during fiscal year 1972. Additional details concerning our activities are contained in our budget justification and I will be happy to answer any questions you may have.

This concludes my statement.