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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON GOVERNMENT REGULATION AND PAPERWORK
SENATE SELECT COMMITTEE ON SMALL BUSINESS
ON
NEEDED CHANGES TO THE FEDERAL REPORTS ACT

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Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before your Subcommittee to discuss needed ^{*are needed*} changes to the Federal Reports Act. Difficulties we have experienced in administering GAO's Federal Reports Act review functions have helped us to focus on some of the problems and to identify solutions which we see as necessary ^{*to*} in promoting a stronger system of control over the Federal Government's information collection activities and the burden they impose.



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We reported on the burden imposed on American businesses last November (Federal Paperwork: Its Impact on American Businesses; GGD 79-4; November 17, 1978). Our work showed that business firms take about 69 million hours 1/ annually, at an estimated cost burden of over \$1 billion, to respond to more than 2,100 Government requests for information.

We made several observations regarding the completeness, accuracy, and usefulness of this burden information as a result of our work.

--The requirements analyzed represent only the tip of the burden iceberg because about 78 percent of all Federal reporting requirements are exempt from either GAO or OMB clearance. Several agencies, including the Internal Revenue Service, are exempt from the Federal Reports Act.

--Determining the reasonableness of burden estimates for approved requirements was difficult. Burden is expressed in terms of (1) the number of reports,

1/ The burden estimates are as reported by the agencies initiating the requirements and were not verified. The information represents approved requirements which were subjected to the clearance requirements set out in the Federal Reports Act.

(2) the number of responses, and (3) reporting hours, but these measures are misleading if considered individually. For example, two reporting requirements each involving 500,000 hours of annual burden can mean (1) that 1 million respondents average one-half hour completing the report or (2) that 4,000 respondents average 125 hours each in completing the report.

--Most individual requirements, when viewed separately, did not appear to be very burdensome. However, most businesses are faced with responding to several reporting requirements, and unfortunately, the cumulative burden cannot be determined from information presently available.

--The problems associated with cumulative burden can be compounded if similar data or information is requested by more than one reporting requirement. Although one objective of the reports clearance process is to reduce such duplication, it is doubtful that current efforts are effective, given the total number of reporting requirements.

--The accuracy of the burden estimates provided by various Federal agencies is unknown but these estimates

are currently the only available burden information.

Before these estimates can be relied on, questions regarding their accuracy need to be resolved.

It is also not possible to identify, from the available burden information, the extent of reporting burden imposed on different sized businesses.

NEEDED CHANGES TO THE
FEDERAL REPORTS ACT

Some key objectives of the Federal Reports Act are to:

- Minimize the burden imposed by Federal reporting requirements, especially on small businesses.
- Guarantee appropriate standards of confidentiality.
- Eliminate unnecessary duplication of information collected by the Federal Government.
- Reduce the costs of Federal paperwork.

In 1973, the Trans-Alaska Pipeline Authorization Act amendment to the Federal Reports Act shifted responsibility for review and approval of the independent regulatory agencies' information-gathering requirements from OMB to GAO. Difficulties we have experienced in administering the review functions required by the Pipeline Act amendment and the results of our audits support our position that changes are needed to clarify and strengthen the Federal Reports Act as well as to consolidate

the fragmented administration of the act. These difficulties are a result of ambiguities in both the original and amended Federal Reports Act.

We have been working with Congressman Horton's staff to develop legislation to bring about these needed changes. The resulting bill, H.R. 3570, the "Paperwork and Redtape Reduction Act of 1979," was introduced in the House of Representatives by Congressmen Horton, Brooks, Steed, and Preyer.

Changes which we believe need to be made to the Federal Reports Act include:

- Specific inclusion of recordkeeping requirements in the act review process.
- Clarification of the act's definition of "information."
- Authority for the clearance agency to plan information-collection activities, provide technical assistance, and promote use of data standards.
- Mandatory requirements for agency evaluations before they request approval of forms.
- Eliminating agency exemptions.
- Requiring OMB to evaluate the agencies' information-management controls.
- Enabling OMB to delegate its clearance authority to the agencies.

X The Federal Reports Act is unclear on whether or not recordkeeping requirements are subject to central clearance review. Such requirements, although not requiring the submission of data to a Federal agency often impose heavy burdens on the public by requiring the development and maintenance of complex recordkeeping systems. In practice, both GAO and OMB have attempted to control these requirements by requiring that they be approved in the same manner as reporting requirements. Some agencies have, however, resisted compliance with our efforts. Because of this, we think the act should specifically mention recordkeeping requirements.

We propose clarifying the definition of the term, "information," to eliminate an ambiguity. Some agencies have interpreted the definition to cover only situations where the answers provided by respondents are to be used for statistical compilations of general public interest. This kind of interpretation severely limits the coverage of the act and the controls over Federal information-collection efforts.

We also propose giving OMB specific authority to plan information-collection activities, provide technical assistance to the agencies, and promote the use of standards in collecting and presenting data. We believe the central authority needs to get involved earlier in the reports development process instead

of being at the very end of the process when the agency positions have been firmed up. These activities are needed to improve the quality of information-collection efforts.

The responsibilities of the individual agencies are unclear from reading the Federal Reports Act. Generally, agencies have forced upon OMB and GAO several tasks which we believe the agencies should take in developing their information-collection instruments. We propose that the act be amended to impose mandatory requirements for agency evaluations directed at minimizing burden and duplication and maximizing the usefulness of reporting or recordkeeping requirements before the agencies request approval. This would cause the agencies to perform these evaluations more thoroughly before submitting information requirements for clearance.

In addition to exemptions for health professions data and education data, several agencies are exempted from the central clearance authority. These include the Internal Revenue Service, other Treasury Department agencies, and the bank regulatory agencies. Burden estimates by IRS indicate that it imposes about three-quarters of the federally-imposed reporting burden on the public. The Paperwork Commission recommended, and we agree, that these exemptions be eliminated. This will strengthen the central clearance agency's ability to enforce compliance with the act.

Requiring OMB to evaluate the agencies' information-management controls is based on a recommendation we made to OMB some years back. However, OMB has not had the inclination or the staff to carry out this function. The new requirement will cause OMB to identify ways to improve the individual agencies' information-management controls.

This evaluation function is tied to another provision we favor which gives OMB the authority to delegate its power to approve information-collection requests to the agencies in cases where the agencies have sufficient capability. OMB would make its determinations during the evaluations described above. This would enable OMB to shift its emphasis to a policy and oversight role in contrast with the time consuming effort of clearing individual reporting and recordkeeping requirements.

PAPERWORK CONTROL AND STATISTICAL
RESPONSIBILITIES NEED TO BE CONSOLIDATED

In addition to the above Federal Reports Act changes, we see a need to end the fragmented administration of the act. We believe that progress toward achieving the act objectives is hampered because central management responsibility of the paperwork control activities is fragmented among three organizations--the Office of Management and Budget; the General Accounting Office; and the Department of Health, Education

and Welfare. Responsibility for achieving the act objectives is also closely related to the Department of Commerce's responsibility for setting statistical policy with regard to information collected by the Federal Government.

Fragmentation of these responsibilities occurred by virtue of individual legislative and executive actions over the past few years. Until 1973, the responsibility for statistical policy and paperwork control was consolidated in the Office of Management and Budget. Then,

- the Congress assigned GAO its Federal Reports Act responsibility in 1973;
- it amended the Public Health Service Act in 1976, establishing in HEW a broad program for collecting data on health professions personnel but provided that the program not be subject to OMB's central review authority;
- President Carter reorganized the Executive Office of the President in 1977, transferring OMB's statistical policy functions to the Department of Commerce; and
- the Congress amended the General Education Provisions Act in 1978 giving the Secretary of HEW control over all Federal data collections related to educational institutions and programs. The only role provided

for OMB was to review an agency's appeal of denial by the HEW Secretary of a proposed information collection.

Although several options exist for consolidating and restructuring Federal statistical policy and paperwork controls, we strongly favor consolidation within OMB. House bill 3570 would reconsolidate the paperwork and statistical policy activities in an Office of Federal Information Management Policy in OMB. The new office is structured along the lines of the Office of Federal Procurement Policy in that it would retain a certain degree of independence from the OMB Director.

Reconsolidating statistical policy and paperwork controls in OMB is a viable option despite three important concerns. We believe these concerns can be overcome.

First, we think the Congress' concern for preserving the independence of the regulatory agencies' information-gathering programs can be readily dealt with by providing for override of an OMB denial by majority vote of the independent regulatory agency's commissioners. This provides for a "second look" by the senior regulatory agency officials in cases where the proposed information-collection activity appears questionable or seems to require revision.

Second, the problem of ensuring that adequate resources are provided to deal effectively with statistical policy and paperwork issues is crucial. We believe the Congress would have to provide specific resource allocations to the OMB unit charged with carrying out these responsibilities. One mechanism to do this would be to provide separate appropriations--a method used in establishing the Office of Federal Procurement Policy within OMB some years ago.

Finally, the basic objectives of statistical activities and paperwork control activities, although closely related, are to some degree in opposition to one another. The principal objective of statistical activities is to acquire sufficient high-quality data to develop soundly based analyses for policymaking, program management and evaluation, and for other purposes. Paperwork control activities, on the other hand, have the primary objective of curtailing the amount of data collected. Any organization charged with achieving both of these objectives must be structured in such a way to ensure that one does not dominate the other, such as by establishing separate units on the same level for carrying out the two responsibilities. Any conflicts between the two units can be arbitrated by the head of the office, or in unusually important instances, by the OMB Director.

House bill 3570 contains provisions which we believe adequately address the first two concerns. When the new office is created, we would hope that the statistical and paperwork control functions will be given equal status.

In our view, re consolidating these functions in OMB offers many advantages, not the least of which is the intangible one of the inherent stature resulting from association with the central management arm of the Federal Government. An adequately staffed unit in OMB would have the advantage of direct association with top-level budgetary, organizational, and management decisions. It would have direct access, through the Director of OMB, to the President, if necessary. Also, its relationship with associated activities, such as the Council of Economic Advisers and the Domestic Policy Staff, would be greatly enhanced.

Mr. Chairman, these changes which I have described should, when fully implemented, result in better administration of the Federal Reports Act. This hopefully would increase the agencies' consciousness of the problems of small businesses and other small organizations in responding to Federal information requests and result in less burden being imposed. This concludes my prepared statement. We shall be pleased to answer any questions that you or members of the Subcommittee may have.