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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Progress In Improving Program And Budget Information For Congressional Use

By law the Comptroller General conducts a program to develop standard terms and classifications for Federal fiscal, budgetary, and program related information, to identify congressional needs for such information, and to monitor recurring reporting requirements of the Congress and make recommendations for changes in these requirements. This annual report, required by title VIII of the Congressional Budget Act of 1974, summarizes GAO's work in these areas over the past year.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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To the President of the Senate and the
Speaker of the House of Representatives *CW600001*

This report is submitted to the Congress in accordance with section 202(e) of the Legislative Reorganization Act of 1970, as amended by title VIII of the Congressional Budget Act of 1974. This section requires us to report annually on the progress and results of our continuing program to improve the usefulness of fiscal, budgetary, and program-related information to congressional users.

We have made considerable progress during the past year in defining and developing information requirements of the Congress; however, to continue our progress this process will require much effort over a number of years. This report describes our efforts to help the Congress obtain the information it needs to better evaluate Federal programs and thus to improve its ability to assess resource requirements for national priorities, and to recognize opportunities that will best achieve desired program results.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations and the Budget, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Director of the Congressional Budget Office; the Director of the Office of Management and Budget; and the Secretary of the Treasury.

James A. Atwater
Comptroller General
of the United States

D I G E S T

By law the Comptroller General of the United States develops standard terms and classifications for Federal fiscal, budgetary, and program-related information; identifies congressional needs for such information; monitors recurring reporting requirements of the Congress; and makes recommendations for changes in the reporting requirements. This annual report, required by title VIII of the Congressional Budget Act of 1974, summarizes GAO's work in these areas over the past year.

STANDARDIZING INFORMATION

Standardizing information--that is, increasing the uniformity and consistency among concepts, data, and reports--facilitates its usefulness to the Congress. This is not an easy or mechanical process; it requires analyses of Federal concepts and practices to identify inconsistent and confusing procedures and usages.

AC GAO's analyses of budget concepts and practices over the past year have covered a wide range of questions in several studies and reports to congressional committees:

since 19
--Several studies addressed funding procedures and the recording of budget authority in Federal programs, including

1. reappropriations (see p. 4)
2. land payment programs (see p. 10)
3. no-year versus fixed-period appropriations (see p. 7)
4. full funding (see p. 7)

--A study on zero-base budgeting analyzing whether ZBB can be more fully utilized

in the analysis and decisionmaking process by streamlining the ZBB process and adapting it to specific organizational needs.

--Two studies focused on ^{Budget} outlays; one analyzed the accuracy of Federal budget outlay estimates, including a comparative analysis of first and second estimates and a discussion of some of the variables that influence these estimates (see p. 5). The second study includes analysis of the growth in the 10 largest appropriation accounts in the 12 cabinet-level departments and incorporates findings from previous GAO reports by citing examples of waste and inefficiency related to these accounts (see p. 10).

^{a d} --GAO also has underway studies of offsetting receipts and collections, entitlements, the executive branch's multiple use (rollover) of budget authority for borrowings, and case studies on the budgeting and planning process (see p. 5) and full funding (see p. 8).

[/]GAO's parallel work in developing standard program and budget descriptions and classifications for use by Federal agencies in reporting fiscal, budgetary, and program-related information included the following efforts over the past year:

- (1) --Continued development, refinement, and revision of an inventory of Federal programs and activities with associated legislative authorization and budget classifications and selected information to support the congressional authorizing committees and other program analyses groups.
- (2) --Determination of the technical feasibility for a mission budget structure for the Department of Agriculture (see p. 15).
- (3) --Initial compilation of a 359-item Government-wide nutrition, food, and agriculture information base incorporating information on enabling legislation, budget authority, outlays, obligations, program

objectives and accomplishments, and user and agency contact points (see p. 15).

GAO also gave testimony before the Congress and prepared special analyses on oversight reform (sunset) legislation which includes a requirement for a program inventory to support the proposed program reauthorization and evaluation process (see p. 14).

IDENTIFYING INFORMATION NEEDS

GAO's work has been aimed at assisting both congressional authorizing and appropriations committees. This included assistance to 16 authorizing committees concerning their March 15 "views and estimates" reports to the respective budget committees. GAO provided lists of programs and activities under each committee's jurisdiction, along with relevant authorization and budgetary information (see p. 17). The views and estimates reports are required by section 301(c) of the Congressional Budget Act of 1974.

There is a need for greater participation by the executive branch in compiling, processing, and transmitting to committees information used in preparing the March 15 views and estimates reports. To help alleviate this problem, OMB revised Circular A-11 (section 11.9) to strengthen agency cooperation in this effort. For the fiscal year 1981 budget cycle, we intend to continue to strongly encourage agencies to prepare budget data in the appropriate format to be submitted directly to the committees. GAO believes that a more direct relationship between the committees and the executive branch on this task will facilitate the timely provision of needed information to the Congress. GAO's role would then become one of assisting the committees in developing their program categories and the specifications of needed data while at the same time ensuring executive branch compliance in and reliability of the data collection effort.

GAO continued its efforts in monitoring congressional reporting requirements and

developing recommendations for report elimination or modification (see p. 19). GAO has identified approximately 40 reports for potential elimination or modification and is continuing to work with the Office of Management and Budget and the Domestic Council in their reports reduction efforts.

Improvements in fiscal, budgetary, and program-related information often depends upon improvements in program evaluations. GAO has continued to assist congressional committees in developing legislative requirements for evaluation and in assessing agency evaluation and reports. GAO is also improving both the quality and the usefulness of its own evaluation capabilities (see p. 19).

IMPROVING CONGRESSIONAL INFORMATION ACCESS AND USE

Realizing the congressional need to identify and acquire information on Federal programs and projects, GAO has developed a data base of inventories of congressional information sources (see p. 26). The data base is maintained to help committees and other analysis and evaluation groups meet their financial, budgetary, and program information needs in carrying out and supporting oversight and budget control responsibilities. The data base consists of four files:

- Inventory of Federal evaluations.
- Inventory of requirements for reports to the Congress.
- Inventory of information sources/resources.
- Inventory of Federal information systems.

The inventories are available through the Library of Congress' SCORPIO information retrieval system. They are also published in catalog form by the Government Printing Office.

EXECUTIVE BRANCH PROGRESS

On February 28, 1979, the Office of Management and Budget and the Department of the Treasury issued their fifth annual report to the Congress on executive branch actions to improve responsiveness to congressional information needs. The report described actions taken in the past year, discussed activities planned for the coming year, and addressed GAO's recommendations (see GAO's annual report on congressional information needs, PAD-78-78, Aug. 29, 1978).

In the area of budget terms and concepts, GAO still does not agree with the executive branch on the following matters:

- In the foreign military sales trust fund, OMB believes recorded budget authority should be only the amount necessary to cover new obligations (orders placed) in a fiscal year. This amount normally represents only a portion of new acceptances (orders received) and, in GAO's opinion, understates actual authority. GAO believes that budget authority should be the full amount of new acceptances.
- GAO has recommended fuller budget disclosure of Government business activities with non-Federal entities by reporting gross revenues and expenses of public enterprise accounts financed by revolving funds. OMB disagrees and points out that GAO's analysis has addressed only a portion of the offsetting collections and receipts. GAO's ongoing study (see p. 6) is addressing all such collections and receipts and will provide a basis for reconsidering the pros and cons of gross and net reporting for the entire budget.
- GAO commends continued executive branch changes to improve the budget process. Their efforts have included
 - zero-base budgeting,
 - multi-year planning,

Tear Sheet

- population change effects on the budget, and
- implementing a credit control system.

An additional improvement in the budget process already proposed by GAO is to present the program and financing schedules in the budget on the basis of obligations rather than costs. It was reported in the OMB/Treasury annual report that the proposal was being reviewed in conjunction with the annual update of OMB Circular No. A-11, but no change was made in the subsequent issue. GAO urges continued consideration of this proposal.

The presentation of the 1979 and 1980 budgets on the basis of national needs has helped to put a national policy focus on the setting of priorities among budget needs. Fitting in with this approach, some improvements have been made in the budget function categories in the past few years (none in the 1980 budget), especially in establishing categories for energy and transportation. GAO believes additional changes can be made in the coming years to better focus on:

- housing,
- education,
- employment and unemployment,
- social services and public assistance, and
- retirement benefits.

An area in which much improvement remains to be done is accounting system designs. GAO has approved about 60 percent of the executive branch system designs, but only one qualified for approval in the first 10 months of fiscal year 1979. The Departments of Defense and Health, Education, and Welfare account for about 72 percent of the unapproved systems. OMB has recently initiated a financial priorities program which includes a commitment to get GAO approval of all executive agency accounting systems.

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ABBREVIATIONS

DOD	Department of Defense
FMS	Foreign Military Sales
GAO	General Accounting Office
OMB	Office of Management and Budget
R&D	Research and Development
ZBB	Zero-Base Budgeting

CHAPTER 1

INTRODUCTION

The objective of Congress in passing the 1974 Congressional Budget Act (title I to IX of Public Law 93-344) was to assure more effective congressional control over the Federal budget. Pursuant to this objective, the Act established new congressional budget procedures and institutions, and in title VIII it amended title II of the Legislative Reorganization Act of 1970 (Public Law 91-510) to strengthen certain fiscal, budgetary, and program-related responsibilities assigned to the Comptroller General of the United States. Those responsibilities (as amended) include the following:

"The Comptroller General of the United States, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Director of the Congressional Budget Office, shall develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information. * * * Such standard terms, definitions, classifications, and codes shall be used by all Federal agencies in supplying to the Congress fiscal, budgetary, and program-related data and information." (sec. 202(a)(1))

"The Comptroller General of the United States shall conduct a continuing program to identify and specify the needs of the committees and Members of Congress for fiscal, budgetary, and program-related information to support the objectives of this part." (sec. 202(c))

"The Comptroller General shall assist committees in developing their information needs, including such needs expressed in legislative requirements, and shall monitor the various recurring reporting requirements of the Congress and committees and make recommendations to the Congress and committees for changes and improvements in their reporting requirements to meet congressional information needs ascertained by the Comptroller General, to enhance their usefulness to the congressional users and to eliminate duplicate or unneeded reporting." (sec. 202(d))

The statute further requires this report from the Comptroller General on our work and progress in these areas.

"On or before September 1, 1974, and each year thereafter, the Comptroller General shall report to the Congress on needs identified and specified under subsection (c); the relationship of these needs to the existing reporting requirements; the extent to which the executive branch reporting presently meets the identified needs; the specification of changes to standard classifications needed to meet congressional needs; the activities, progress, and results of his activities under subsection (d); and the progress that the executive branch has made during the past year."
(sec. 202(e))

Our work to date has identified a number of needs for improved fiscal, budgetary, and program-related information. We have made several recommendations to the executive branch on these matters and have held discussions on implementation problems. This report describes our efforts and the executive's responses over the past year.

Much improvement is still needed in existing information and its presentation to the Congress. Furthermore, the process of identifying information needs is a long-term, evolutionary effort which must be responsive to changing national and congressional requirements. The Congress is now considering legislation that would establish new oversight procedures, including the provision by GAO of certain budget and program-related information. The oversight reform bills now under consideration would assign to the Comptroller General major responsibilities for compiling and maintaining a "program inventory" or "catalog of programs" to support the scheduling, planning, and execution of the new review and reauthorization procedures of the Congress. The congressional and executive program review and evaluation capabilities would be directed more toward supporting the scheduled review and reauthorization by Congress. This is discussed further in chapter 2, along with a discussion of our past and ongoing work in developing program listings for the Congress.

CHAPTER 2

STANDARDIZING INFORMATION

Our work in developing standardized information and data is responsive to the requirements of section 202(a)(1) of the Legislative Reorganization Act of 1970, as amended by title VIII of the Congressional Budget Act of 1974. That section requires the Comptroller General, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office, to develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information. Such standardized terms are to be used by all Federal agencies in supplying the Congress with fiscal, budgetary, and program-related data and information.

Standardizing certain information--that is, increasing the degree of uniformity and consistency among certain concepts, data, and reports--facilitates its usefulness to the Congress. It improves accessibility, facilitates comparative analysis, and decreases the chances of misinterpretation.

Achieving appropriate standardization is not an easy or mechanical process. It requires an understanding of budget and accounting principles and standards; it involves analysis of existing Federal concepts and practices to identify inconsistent and confusing procedures and usages; and it must balance the need for a certain constancy and uniformity in terms and procedures against the need for sufficient flexibility and diversity to meet the varied and evolving information needs of the executive branch and the Congress.

ANALYSES OF BUDGET CONCEPTS AND PRACTICES

During the past year we continued our analyses of Federal budget concepts and practices. Our aim is to eliminate unnecessary and confusing variations in budget treatment and practices that impair sound budget policy. Following is a brief description of the studies we have reported on or have underway.

Standard terms

In July 1977 we published a glossary, "Terms Used in the Budgetary Process" (PAD-77-9), which includes standard

terms and definitions related to formulation and enactment of the Federal budget, zero-base budgeting, and economic terms used in connection with the Federal budget. These terms and definitions were developed in coordination with the Department of the Treasury, OMB, and the Congressional Budget Office. Over 12,000 copies of the glossary have been distributed to Federal agencies, congressional committees, Members of Congress, and other interested organizations and individuals. We are currently working on a revised edition which we plan to issue in early 1980.

Early in 1978 (PAD-78-45, Jan. 3, 1978), GAO proposed a revised definition of reappropriation to include unobligated balances that would have lapsed but which were extended as new budget authority. OMB initially opposed the inclusion of such extensions as reappropriations. However, OMB has finally agreed with GAO and the Budget Committees and included in the 1980 budget, for the most part, extensions of unobligated balances as new budget authority rather than as unobligated balances carried forward.

We advised OMB and the Budget Committees (B-115398, March 23, 1979), that we had reservations as to whether OMB was in fact adequately presenting the amount of budget authority in the 1980 budget when certain programs were proposed to be partially financed by extensions of 1979 unobligated balances. We also questioned whether reappropriations should be used at all as a means of financing Government programs or activities.

In a related matter, we advised the Subcommittee on Foreign Operations, Senate Committee on Appropriations, that appropriation language in the 1980 Budget Appendix proposed to extend certain Department of Defense unobligated balances (including certain balances for possible deobligation and reuse) without treating the extensions as reappropriations. We reaffirmed our previously stated position that budget requests and appropriation acts should clearly provide for the amount of budget authority being conferred, including in that stated amount any reappropriations being made (B-115398, May 4, 1979).

Zero-base budgeting (ZBB)

In our upcoming report on zero-base budgeting, we will discuss streamlining the ZBB process. Our tentative conclusions indicate that ZBB concepts, if applied appropriately, can improve the analysis and decisionmaking in budgeting. These conclusions are based, in part, on interviews with Federal, State, and local officials, as well as with private corporation executives experienced in the use

of ZBB concepts. In addition, during our study, we examined ZBB policies, procedures, instructions, and forms and studied the budgets, rankings, and ZBB packages of the various organizations contacted. We also gathered statistical data on the costs of doing ZBB, reviewed other documents on the subject, and contacted congressional committees, OMB, and certain researchers with regard to their views on the zero-base budgeting process.

Based on our work thus far, it appears that ZBB concepts should be tailored to the specific needs of the organization. In addition, the three segments of ZBB--planning, budgeting, and reassessment--should be done in phases. Finally, we suspect that ZBB information should be available in a form corresponding to the decision structures used in the organization. The strict process approach, which both public and private sectors have used, has increased budgeting problems by leading to duplication of effort, useless information, and lack of incentives to cut waste. Our tentative conclusion is that ZBB concepts can and should work if the broad definition GAO uses is adopted and the implementation approach that would streamline the process is put into effect.

Budgeting and planning process case studies

Our ongoing work includes a major study, requested by the House Committee on Government Operations, of the budget formulation processes in three agencies selected for case studies: the Departments of Health, Education, and Welfare, Interior, and Defense (DOD). The study entails work at the Washington area headquarters of these departments and at selected department field offices.

The case studies will emphasize descriptions and comparisons of budget formulation processes, including (but not restricted to)

- relations among the organizational levels;
- planning, budgeting, and reassessment;
- zero-base budgeting; and
- controllability.

Outlay estimating

At the request of the Chairman, Budget Process Task Force, House Committee on the Budget, we studied the

accuracy of Federal budget outlay estimates. In our report, "Federal Budget Outlay Estimates: A Growing Problem," (PAD-79-20, Feb. 9, 1979), we reported that in the President's budget, first estimates for budget year outlays generally are less than actuals; second estimates (in the following year's budget) have been greater than actuals. In fiscal year 1977, there was a \$17 billion difference between first and second estimates. Fiscal year 1977 and 1978 estimates, at critical decision points, vary significantly from actuals.

The reliability of Federal budget estimates can be influenced by a number of variables. Many of these variables, such as the effect of congressional action, are not under the control of the executive branch. Others are controllable and further efforts should be made to improve outlay estimating. Our report recommends a number of steps directed toward this goal, including

--establishment by OMB of criteria for acceptable levels of accuracy for estimates, and

--explanation by OMB about significant variances between actual outlays and estimates.

In addition, we noted that Government-wide net outlay figures do not include offsetting collections and offsetting receipts from business transactions with the public. Outlays from off-budget entities are also excluded. Actual fiscal year 1977 net outlays excluded \$76.4 billion. Our report recommends changing the presentation of offsetting collections and offsetting receipts to more fully reflect Government activity and to simplify the budget.

Offsetting receipts and collections

OMB has not agreed with our recommendations regarding gross reporting of budget figures in the summary tables of the budget and in the congressional budget resolutions.

This ongoing study concerns ways to measure the gross level of Federal activities and ways to improve congressional control over the Government business-type receipts and collections which are now offset against Government budget authority and outlays so that only the net gain or loss is included in the budget summary tables and congressional budget resolutions. An alternative approach would be to include these receipts and collections on a gross basis so that the full level of Federal activities could be measured. These receipts and collections amounted to

\$68 billion in fiscal year 1977 and are estimated at about \$81 billion for fiscal year 1979.

The current practice of permanently authorizing the appropriation of business-type receipts and collections limits congressional flexibility to allocate revenue, lessens its ability to control expenditures, and provides funds outside the normal appropriation process.

Issues we are addressing are that the (1) Congress adopt the gross basis for considering revenue transactions with the public in its budget resolutions and (2) Congress eliminate the permanent earmarking of receipts and collections and include amounts credited at the account level as budget authority.

No-year versus fixed-period appropriations

At the request of the Chairman of the Subcommittee on Agriculture, Rural Development and Related Agencies, Senate Committee on Appropriations, we did a study of Department of Agriculture unobligated balances and no-year appropriations. We reported on September 19, 1978, (PAD-78-74) that there was no requirement for funds to be available indefinitely (i.e., by "no-year" funds) in 10 of the 15 no-year appropriation accounts in the Department. As a result, the 1979 appropriation for the Conservation Operations Program was reduced by \$3 million and seven no-year appropriation accounts were converted to fixed-year accounts.

Multiple use of budget authority for borrowings

Another study in progress concerns the executive branch practice of making multiple use--"rolling over"--of budget authority for borrowings in some loan and loan-related revolving fund programs. This can result in gross borrowings and obligations over time that can exceed the budget authority disclosed in the budget for program borrowings and obligations. Rollover is an unsound budgetary practice since it limits full disclosure of program activities.

Full funding

In May 1978 the Chairman of the Budget Process Task Force, House Budget Committee, asked for a two-part study on full funding. We had already provided a report on the subject (FGMSD-78-18, Feb. 23, 1978) and testified before the Task Force on February 22, 1978. In response to the first part of the request we issued a report on September 7, 1978,

entitled "Further Implementation of Full Funding in the Federal Government," (PAD-78-80). In the report we cited a generally accepted definition of full funding in use by civil agencies: a program (or project) is considered to be fully funded if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year.

In the September 7, 1978, report we discussed the advantages of full funding. We emphasized that full funding aids congressional decisionmaking by providing full disclosure of total program costs when a commitment is entered.

In addition, we included a list of 60 appropriation accounts with programs that have potential for conversion to full funding. The report stated, however, that any changes to full funding should be made only after careful analysis on a program-by-program basis.

The second part of the request on full funding involved two program analyses: the Rental Assistance program of the Farmers Home Administration in the Department of Agriculture and the Family Planning program in the Department of Health, Education, and Welfare. We plan to report on this work soon.

Our current analysis indicates (1) that the Rental Assistance program should be taken out of the Rural Housing Insurance Fund (a revolving fund) appropriation account and funded in a separate general fund appropriation account; and (2) that the program should be fully funded to preclude the requirement for Congress to provide budget authority for the budget year program in years beyond the budget year, as is now the case. After our analysis of the Family Planning program, it appears that the program may not be a good candidate for full funding since it is of an ongoing nature without a specific completion date.

Productivity measurement

During the past year, GAO conducted extensive audits of DOD's and Agriculture's operational productivity and work measurement systems. A major finding of these audits was that neither agency was using the available productivity data and that OMB offered no real incentives for using such data. This was discouraging because both DOD and Agriculture had measurement systems in place--unlike most agencies who either have no measurement system or are in the process of developing one. GAO plans to issue the results of these audits shortly.

We are continuing our work to induce agencies to use the data in the budget process by providing both evaluations and questions to the appropriation committees during their annual hearings. OMB could assist in the process by following existing instructions in Circular No. A-11, which spells out how productivity data are to be used in the budget process.

Entitlements

During the last year, we became aware of disagreement within the "budget community" over the identification and classification of entitlement programs. Not everyone agrees on the meaning of "entitlement" or the legal and programmatic factors that constitute an entitlement program, including the nature of congressional control.

We are beginning a study of entitlements that focuses on the adequacy of currently used terms, definitions and classifications, and alternative methods of congressional control. One aspect of this work, already underway in California, involves a study of the impact of entitlements on State and local governments' budgets and commitments and of recipients' perceptions of entitlements.

Apportionment process

At the request of the Chairman, House Appropriations Committee, we conducted a brief survey of the past and present operations of the apportionment process and examined ways to strengthen budget execution through the apportionment process. We briefed the Committee representatives in August 1979 on the results of our limited study:

- Funds are being made available and obligated at rates which very seldom require a deficiency or supplemental appropriation; thus, a key provision of the Anti-deficiency Act is being fulfilled.
- OMB gives low priority to day-to-day monitoring of the effective and economical use of funds by agencies. More time of the key budget professionals is devoted to budget formulation and governmental policy formulation. Although always a low priority on OMB's list of duties, the proportion of time spent on budget execution has shrunk as the size and complexity of governmental programs has increased.

Areas for possible change include

- raising the priority on budget execution monitoring,

- defining the focus of monitoring,
- defining the degree of OMB/agency flexibility and creating incentives for cost reductions,
- improving accountability and the operation of the budget execution process, and
- defining the responsibilities for monitoring budget execution.

Alternatives for improved budgetary control in land payment programs

We addressed the problem of congressional control over a variety of land payment programs in a study which will be published soon. These programs have evolved over the years to compensate States and counties for tax exemptions on approximately 760 million acres of Federal land within their jurisdictions. The basic aim of Congress in establishing these programs is to pay States and counties the same amount that would be collected in property taxes if the land was privately owned. Under most programs, States and counties are paid a percentage of the receipts generated from the public lands. Often, however, these payments do not equal what would have been collected in property taxes. In fiscal year 1978, Federal land payments totaled about \$610 million.

In 1976 Congress passed Public Law 95-565, the newest "payment-in-lieu-of-taxes" program, which directs payments to counties on a per acre basis. Our tentative findings are that this law contributes to the inequities and inconsistencies existing in other land payment programs by (1) allowing States to influence the size of Federal payments to local governments, (2) requiring the administering agency to use State data which have been unreliable for computing payments, and (3) providing payments to counties that were already being compensated without them.

We are analyzing several alternatives to the payment system, especially the elimination of permanent earmarking of receipts, setting expiration dates on program authorization, and requiring periodic appropriation action to ensure improved congressional control over land payment programs.

Selected Federal accounts: past outlays and GAO recommendations

In response to the Chairman of the Senate Select Committee on Small Business, we looked at recent growth in

the 10 largest appropriation accounts in each of the 12 cabinet-level departments between fiscal years 1975 and 1978 to provide indicators of where the growth in Federal spending has been. We also collected information from prior GAO studies that cite examples of waste and inefficiency in these accounts and describe recommendations for corrective action.

Our study, "Selected Federal Accounts: Past Outlays and GAO Recommendations," analyzes changes in spending since fiscal year 1975 but does not analyze the reasons for these changes. Available budget data indicate that outlays in about one-fifth of the 120 accounts grew more than 50 percent (based on 1975 constant dollars) between fiscal years 1975 and 1978. Six of these high growth accounts, however, are relatively new--established since 1975. In such new accounts rapid growth in percentage terms can be expected while the programs are being established.

The study includes information on a selection of GAO reports relating to many of the 120 accounts and summarizes examples in most of the 12 cabinet-level departments of GAO recommendations on which adequate corrective action has not been taken.

STANDARD PROGRAM AND BUDGET DESCRIPTIONS AND CLASSIFICATIONS

The information we develop in analyzing budget concepts and practices relates to our parallel work in developing standard program and budget descriptions and classifications for use by Federal agencies in reporting fiscal, budgetary, and program-related information. This part of our standardization work covered several studies and efforts over the past year.

Program inventory

Since 1975 we have been developing an inventory of Federal programs and activities, which includes program and budgetary information at the lowest level of detail in which congressional committees are interested.

Our approach over the past year has been to build on previous years' efforts and improve the overall information development and report processing. We were successful in

--reviewing and refining program structures for more than 80 Federal agencies;

- restructuring and reclassifying agencies' programs under the jurisdiction of the Senate Labor and Resources Committee, the Senate Committee on Banking, Housing and Urban Affairs, and the House Committee on Banking, Finance and Urban Affairs;
- adding new data elements to enhance program and oversight information reporting;
- verifying authorization and budgetary data;
- documenting system files and modifying existing computer programs to accept and manipulate the new data elements; and
- creating new computer programs to enhance file maintenance and provide magnetic tape output for committees.

In addition, we were able to promote agency/committee staff cooperation, institutionalize the program inventory process with the agencies, and conduct our work in three phases to alleviate heavy agency reporting during peak budget reporting periods.

In the coming year, we will complete the program inventory by adding all remaining Federal agencies. We will also develop additional reporting capabilities, including special program inventories.

The inventory not only supports our assistance to congressional authorizing committees on their March 15 views and estimates reports, (see ch. 3, p. 17), but it is also used to generate various other lists and supporting analytical work in a variety of areas. In addressing other congressional information needs, we have provided report listings of funding expiration dates (for analysis of pending oversight legislative requirements), of legislation and authorization information (for legislative analysis), and of specific agency programs (for oversight and review).

The inventory currently contains information on over 5,000 items--Federal programs, activities, and projects. During our review and refinement of program structures, we discovered that many of the items we had listed were in fact not programmatic. Consequently, we restructured the inventory to delete these items. The following data elements are available for each program, activity, or project included in the inventory:

- administering agency and bureau, or independent commission;
- budget function and subfunction;
- citation of the law authorizing the program, including the public law name and the relevant title and section of the U.S. Code;
- name of program, activity, or item;
- type of record (program, administrative, financial);
- appropriation account number, fund code, and transmittal type;
- House and Senate authorizing committee jurisdiction;
- House and Senate authorizing subcommittee jurisdiction;
- amounts authorized, if specified, and/or narrative description of funding limitations;
- expiration and reauthorization dates for programs;
- related budget authority, outlays, and obligations for the past, current, and budget years;
- specialized data for individual committees, including outlays for current year budget authority, unobligated balances, and loan levels;
- Senate/House program policy areas; and
- special program areas, e.g., for use in identifying special Government-wide programs such as:
 - . disaster assistance programs,
 - . entitlement programs, and
 - . research and development programs.

The maintenance of the program inventory is an ongoing process. Continuous revisions to the inventory are necessary due to reprogrammings, new legislation, changes in committee jurisdiction, new budget function classifications, and other factors. We are continuing to expand, update, and refine the program inventory to ensure its effectiveness in meeting our legislative mandate.

The program inventory requirement in
pending oversight reform legislation

During the year, the Congress took major steps toward enacting legislation that would establish a systematic oversight and reauthorization process. On October 11, 1978, the Senate passed S.2, the "Sunset Act of 1978." The bill would have established a 10-year schedule for the reauthorization of all Federal programs, with certain specific exemptions.

In the 96th Congress, S.2 was reintroduced in the Senate and a companion bill, H.R. 2, was introduced in the House. In addition, H.R. 65, the proposed "sunrise" approach to oversight reform, was introduced in the House, and S. 1304, a companion bill, was introduced in the Senate. Hearings on these bills were held by subcommittees of the House Committee on Rules and the Senate Committee on Governmental Affairs. The Comptroller General testified at both hearings. In his testimony he stated that an inventory of Federal programs would greatly assist the Congress in making oversight reform work smoothly and effectively. Title II of S .2 requires that such an inventory be prepared and maintained. H.R. 65 requires that a catalog of programs and activities be prepared and maintained. Either the inventory or the catalog would provide the necessary substructure for both the review of broad policy subjects and the systematic review of individual programs and activities. They would provide the Congress with a systematic, comprehensive, and authoritative identification of the specific entities that are subject to the review and reauthorization requirements.

When S.2 passed the Senate last fall, title II was amended to dilute the purpose of the inventory by stating that it would merely "advise and assist" the Congress in carrying out the requirements of titles I and III, which involve review and reauthorization of programs. Committees were in no way to be bound in carrying out their responsibilities. In our judgment, this amendment would make more difficult the process of developing the inventory and collecting the data from executive agencies. It might also raise questions about the credibility of the inventory as a means for specifically defining what are the entities, i.e., programs, subject to review and reauthorization. Therefore, we have recommended that the Congress restore the language adopted in H.R. 65.

We have also expressed the view that the inventory should be developed and maintained by a single agency. The inventory should encompass both programs and tax expenditures, if the latter are to be covered by the process. GAO would be the logical agency to carry out this responsibility,

consistent with our responsibility under title VIII of the Budget Act.

We have been informally assisting the committees considering this legislation. We have supplied them with computer listings of Federal programs, estimates of the number of programs covered by sunset review, and cost estimates for GAO resulting from instituting congressional oversight reform. We expect to continue to work closely with the committees in their development of this legislation.

Mission budgeting structure for
the Department of Agriculture
and food programs inventory

The Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development and Related Agencies, asked us to develop a mission budget structure for the Department of Agriculture in order to explore its feasibility and utility. Mission budgeting is a budget concept that focuses on an agency's basic responsibilities or end purposes. Subordinate levels (mission area, mission need, and program/activity) within the structure permit a closer look at the purposes and the need to spend the funds made available by the Congress.

We briefed the Subcommittee in June 1979, stating that mission budgeting is technically feasible. We are in the process of drafting a report, and anticipate releasing it in early fall 1979, in response to their request.

In addition, in June 1978 the Chairman of the Senate Appropriations Committee asked us to compile a Government-wide nutrition, food, and agriculture information base and conduct an organizational analysis of existing programs. It was expected that the information developed would be useful not only for hearings but also for obtaining a Government-wide perspective of the food and agriculture area in years to come.

Through a cooperative effort between GAO and Agriculture and with assistance from the Office of Management and Budget, a list of 359 Federal food programs has been developed. We collected data from 28 Government organizations that are now on Agriculture's computer system. The information contained in this data base consists of such things as enabling legislation; budget authority, outlays, and obligations; program accomplishments and objectives; and identification of target groups and agency contact points for each of the 359 programs.

Such information should satisfy the committee's request in the short term, but more important, the structure has now been built to continue this effort in future years. Through periodic updating, the committee will be able to maintain a broad perspective of the food, agriculture, and nutrition policy areas. This information will prove useful in committee deliberations on budget decisions as well as organizational problems.

In a larger context, our pilot programs inventory on food will be useful in implementing the sunset legislation and the procedures for oversight reform. This effort demonstrates the feasibility of creating inventories that can be used as tools for making major policy decisions.

CHAPTER 3

IDENTIFYING INFORMATION NEEDS

Our work during the past year in identifying and specifying the information needs of committees and Members of Congress has been conducted under section 202(c) of the Legislative Reorganization Act of 1970, as amended by title VIII of the 1974 Congressional Budget Act, and has been aimed at assisting both authorizing and appropriations committees. It has focused heavily on program level information needs and reporting.

PROGRAM INFORMATION FOR AUTHORIZING COMMITTEES

The Congressional Budget Act of 1974 established a formal budgetary role for the Congress' authorizing committees. Section 301(c) of the Act requires each standing committee to submit to its chamber's Budget Committee, on or before March 15 of each year, the committee's views and estimates on matters within the committee's jurisdiction to be contained in the First Concurrent Resolution on the Budget (May 15). The resolution sets target levels for total new budget authority and outlays, broken down by budget functions. Also set forth are the levels for Federal revenues, the public debt, the surplus or deficit in the budget, and related matters.

In developing their March 15 views and estimates reports, the authorizing committees require budgetary information from many Federal agencies and independent commissions in a short time-frame. In many cases the committees discovered that the budgetary information they received was not in usable form. The data were often inaccurate since no review process existed before transmittal to the committee, data lacked committee jurisdictions, program categories differed, and agency and committee alignments were not the same so direct reporting was burdensome on both.

Consequently, over the past 5 years, several committees have asked us to develop the information needed for their March 15 views and estimates reports.

As part of our work in assisting the authorizing committees, we developed our program inventory discussed in chapter 2 (see p. 11). From this inventory, we provide program and budgetary information under each committee's jurisdiction.

This year we supported 16 committees in their March 15 views and estimates reports. This required us to work with about 100 agencies and independent commissions to update the program inventory with amounts from the fiscal year 1980 budget.

More executive branch participation needed

A basic problem we have encountered in helping committees meet their needs for budget and related data has been the way agency budget offices view their priorities. Agency budget staff resources are limited, of course, and it has been our experience that these offices tend to assign first priority in the budget preparation and submission cycle to completing the budget, second priority to developing the justification material for the appropriations committees, and third priority to providing the data we request for the authorizing committees. The authorizing committees are often last on the priority list but have the earliest reporting date under the congressional budget calendar. This conflict between agency priorities and reporting dates greatly complicates the task of preparing the March 15 reports. To help alleviate this problem, OMB revised Circular No. A-11 (section 11.9) to strengthen agency cooperation in this effort.

We have been building on previous years' efforts to improve the overall information response to authorizing committee needs. For the fiscal year 1981 budget cycle, we will continue to strongly encourage the agencies to prepare budget data in the appropriate format to be submitted directly to the committees. We believe that a more direct relationship between the committees and the executive branch on this task would make it easier to provide the Congress with the information it needs. Our role would then be one of assisting the committees in developing their program categories and specifications of needed data, and reviewing executive branch compliance in providing the information.

Information on Federal research and development (R&D)

GAO proposed to the House Science and Technology Committee, in testimony on April 5, 1979, improvements in research and development budget presentation and supporting material to bring about better policymaking, budget formulation, and oversight. These proposals included better program descriptions and more detailed explanations in the special research and development analysis, more extensive analysis of research programs involving several agencies,

and finer delineation of public and private sector roles in fields such as energy research.

GAO is now preparing a special inventory of research and development activity to support the committee's continuing oversight of R&D. We are also working with the committee on the proposed Research and Development Authorization Estimates (H.R. 4490), which would require submission of budget information to support a biennial authorization for R&D programs.

REPORTS MONITORING AND REDUCTION

To specifically address the problem of duplicative reporting, we have conducted a major survey of each committee to reassess its reporting requirements and to determine which requirements can be eliminated, reduced, or consolidated. At this date, approximately 40 reports have been identified for potential elimination or modification. A bill is being prepared which would propose elimination of the unnecessary reports. We are also working with the Office of Management and Budget and the Domestic Council in their Government-wide effort to reduce reporting requirements from the executive branch to the Congress.

EVALUATION PROCEDURES AND INFORMATION

Title VIII of the Congressional Budget Act strengthened GAO's responsibilities for helping the Congress improve its fiscal, budgetary, and program-related information, while title VII of the Act strengthened GAO's existing evaluation role. A complementary relationship clearly exists between title VIII's "fiscal, budgetary, program-related" information and GAO's evaluation work under title VII and other statutes. Evaluation of program performance and results comprises much of the program-related information the Congress needs for oversight purposes.

To meet its evaluation objectives, GAO

- audits and evaluates the operations of nearly all Federal agencies and programs,

- assists committees in developing methods and legislative requirements for evaluation, and

- assists committees in analyzing and assessing agency evaluations and reports.

The oversight reform bills being considered by Congress would assign responsibilities to the Comptroller General for

assisting committees to review Federal programs, further emphasizing the already significant program evaluation role exercised by the Comptroller General under the 1974 Congressional Budget Act and prior statutes.

We expect that instituting congressional oversight reforms will increase significantly the demand for various types of assistance we can provide committees, such as

1. identifying and developing standards, methods, guidelines and procedures for the review and evaluation of programs and activities;
2. developing statements of legislative objectives, oversight questions, evaluation criteria, and reporting requirements for use in proposed legislation, committee reports, letters, memoranda, and hearings;
3. appraising agency review and evaluation reports;
4. identifying committee information needs and obtaining fiscal, budgetary, and program-related information from the agencies to meet such needs; and
5. identifying program areas for which committee oversight efforts would appear to be worthwhile.

GAO is also attempting to improve its evaluation capabilities and improve the quality and usefulness of the evaluative information provided to the Congress. GAO's current activities directed at improving the Government's evaluation capabilities include

- identifying existing evaluation methods;
- developing methods to meet unsatisfied user and practitioner needs;
- demonstrating new methods or improvements of existing methods to assure a credible basis for wide acceptance in the evaluation community,
- transferring methods throughout the evaluation community;
- identifying the objectives, functions, policies, organization, planning, and management of program evaluation; and
- appraising the performance of Federal evaluation activities according to agreed-upon criteria.

The published documents pertaining to these activities are cited below.

- Guidelines for Model Evaluation (Exposure Draft) (PAD-79-17, Nov. 1978)
- Status and Issues in Program Evaluation (PAD-78-83, Oct. 1978)
- Audits and Social Experiments, A Report to GAO by the Social Science Research Council (PAD-79-1, Oct. 1978)
- Assessing Social Program Impact Evaluations: A Checklist Approach (PAD-79-2, Oct. 1978)
- Better Understanding of Wetland Benefits Will Help Water Bank and Other Federal Programs Achieve Wetland Preservation Objectives (PAD-79-10, Feb. 8, 1979)
- A Framework for Balancing Privacy and Accountability Needs in Evaluation of Social Research (PAD-79-33, March 1979)
- Evaluation of Programs in the Department of Transportation--An Assessment (PAD-79-13, April 3, 1979)

OTHER GAO REPORTS

Much of our work, while not directly undertaken pursuant to title VIII of the Congressional Budget Act, involves analyses and recommendations aimed at improving budget-related procedures and the fiscal, budgetary, and program-related information provided to the Congress.

Improving information, disclosure and congressional control

We believe that continued improvement of the quality and disclosure of program and budget information for congressional use is necessary to enhance congressional control of the Federal budget. The following reports are examples of GAO work devoted to such improvements.

- On November 15, 1978, we issued a report entitled "Correct Balance of Navy's Foreign Military Sales Trust Fund Unknown," (FGMSD-79-2). We reported that the Department of Defense does not know the correct cash balance being held in trust for countries involved in the Navy's foreign military sales program.

Several recommendations were made to the Navy regarding shortcomings in the Department's efforts.

- On January 11, 1979, we issued "Financial Status of Major Federal Acquisitions September 30, 1978," (PSAD-79-14). The report shows cost increases of \$207 billion, or 64 percent, over baseline estimates of 857 civil and military acquisitions which were then in the development, test, and production, or construction phases. Among the reasons cited for the cost increase were inflation, and changes in quantities ordered, system characteristics, spare parts and support needs, delivery dates and the inadequacy of the original cost estimates.
- On March 1, 1979, we issued "Why the National Park Services Appropriation Request Process Makes Congressional Oversight Difficult," (FGMSD-79-18), to the Subcommittee on Interior and Related Agencies, Committee on Appropriations. The report discusses and analyzes contingency reserves, (up to 10 percent in one account) within the National Park Service. Due to inadequate accounting procedures and policy guidelines, the funds have been used for routine expenditures and, in some instances, may also have been used for unauthorized expenditures. The report concludes that the Park Service's method of obtaining contingency reserves without adequate disclosure to the Congress is unacceptable and should be discontinued.
- On March 16, 1979, we issued a report entitled "The Defense Department's Systems of Accounting for the Value of Foreign Military Sales Need Improvement," (FGMSD-79-21) to the Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs. The report identified \$1.1 billion in inconsistencies and errors in accounting for fiscal 1977 arms sales, and \$540 million in differences in sales information on the two systems Defense uses to account for the values of foreign military sales.
- On September 26, 1978, we issued a report to the Congress entitled "Cost Waivers Under The Foreign Military Sales Program. More Attention and Control Needed," (FGMSD-78-48A). The report stated that in the first 15 months since passage of the International Security Assistance and Arms Export Control Act of June 30, 1976, the Department of Defense authorized or considered cost waivers of about \$500 million. Further, we found that Defense and military

service officials were intentionally undercharging foreign governments millions of dollars. The report recommends that the Department of Defense provide the Congress with the values of and explanation for cost waivers as part of the required notification reports on foreign military sales. Such information would strengthen congressional oversight and control of the foreign military sales program.

--On January 31, 1979, we issued a report to the Subcommittee on Public Works, House committee on Appropriations entitled "Congressional Control Over Appropriations to The Corps of Engineers Can Be Strengthened," (FGMSD-79-12). The report noted a practice by the Corps of Engineers of using project funds to finance headquarters and division activities. This practice makes it difficult to distinguish between services which directly benefit projects and those which do not. Additionally, congressional control is weakened through such a system in that the size and scope of centralized activities cannot be monitored and there can be no assurance that project funds are expended for their intended use. We recommend Congress require the Corps to fund its centralized functions, whenever possible, through the general expense appropriation in order to provide full disclosure and control over costs.

--On June 6, 1979, we issued a report entitled "Navy Shipyard Accounting System Needs Improvement," (FGMSD-79-34). The report states that the accounting systems at the Long Beach and Pearl Harbor Naval Shipyards have not been implemented in full accordance with the system design for shipyards that GAO approved in June 1975; inventory values reported to Navy Headquarters and the Congress were incorrect; and control over appropriated funds was inadequate. We recommend the Navy adjust the shipyard accounting system to conform with the approved system design.

Better budget practices

The following GAO reports discussed ways of improving budget practices in certain programs.

--On March 22, 1979, we issued to the Congress a report entitled "Improperly Subsidizing the Foreign Military Sales Program--A Continuing Problem," (FGMSD-79-16). The report cites the Department of Defense's continued failure to operate the foreign military sales program on a no loss to the government basis, a failure which

has resulted in large subsidies to the sales program. The report also notes that Defense has not charged for the quality assurance service it provides on equipment sold to other countries, despite the requirement since 1970 that these costs be recovered. As a result, during the past 6 fiscal years the Government has absorbed costs estimated up to \$370 million that should have been recovered from foreign customers.

--On May 15, 1979, we issued a report entitled "The Defense Department Continues To Subsidize the Foreign Military Sales Program by Not Charging for Normal Inventory Losses," (FGMSD-79-31). Although the military services have identified almost \$600 million in inventory losses, foreign governments have not been charged their fair share of the losses, as required by the Arms Export Control Act as amended in September 1978. The report concludes that as a result, the United States has lost millions of dollars. We recommended a special effort be taken to charge foreign governments for inventory losses and the amending of the Arms Export Control Act to require charges be made for inventory losses on all inventory sales to foreign governments.

--On June 1, 1979, we issued a report entitled "Efforts To Charge for Using Government-Owned Assets for Foreign Military Sales: Marked Improvement But Additional Action Needed," (FGMSD-79-36) to the Subcommittee on Investigations, House Armed Services Committee. The report states that although Government-owned assets are used to produce items sold to other countries, these countries have not been charged for the use of those assets. The result has been that millions of subsidy dollars have been provided to foreign nations without the consent of the Congress.

Full funding is advantageous

Full funding can have a number of advantages, as discussed in the following reports.

--On January 16, 1979, we issued a letter report to the Secretary of Energy concerning deterioration in the weapons complex (PSAD-79-20). In order to effectively restore the facilities, we urged the Department to submit a multiyear, fully funded budget estimate to the Congress. We believe full funding could improve many aspects of management, such as facilitating equipment purchases and installation, minimizing

construction delays, allowing better budget estimates, and providing cost savings in conjunction with multiyear contracting. This full funding concept also gives the Department of Energy, the Congress, and the public knowledge of the full dimension and cost of the project when first presented for consideration.

--On January 29, 1979, we issued a report to the Senate Committee on the Budget, entitled "Congress Needs Reliable Cost Estimates and Established Priorities for Allocating Funds for Water Resources Projects," (PSAD-79-13). The report stated that the Bureau of Reclamation and the Corps of Engineers need to improve cost estimates, establish priorities for allocating funds, and request full funding for their water resources construction projects.

--On March 15, 1979, we issued a report to the Subcommittee on Transportation, House Committee on Appropriations entitled "Selected Budget Issues in the Federal Aviation Administration," (CED-79-61). We concluded that automation of flight service stations should be fully funded in fiscal year 1980. In addition, we said that an extension from 3 to 5 years in the availability of funds for obligation of the facilities and equipment appropriation will not necessarily slow down obligation rates.

CHAPTER 4

IMPROVING CONGRESSIONAL INFORMATION

ACCESS AND USE

To improve congressional access to information, a data base of fiscal, budgetary, and program information has been developed and is maintained to assist congressional committees in carrying out their oversight and budget control responsibilities. Our objectives are to

- identify the types and locations of Federal fiscal, budgetary, and program-related information;
- improve the ability of Congress to effectively locate and use information currently available in the Federal Government;
- develop, establish, and maintain central files needed to support congressional needs for recurring information; and
- assist congressional users in accessing and using Federal fiscal, budgetary and program-related information.

INVENTORIES AND DIRECTORIES OF INFORMATION SOURCES

In the past few years, we have concentrated on developing inventories of the sources of basic information for the Congress, including (1) an inventory of evaluations of Federal programs; (2) an inventory of requirements for reports to the Congress; (3) an inventory of major information systems maintained by the Federal agencies; and (4) an inventory of information archives, libraries, and other holdings. These inventories are updated annually through research of new legislation, literature searches, and requests for information from executive agencies.

- The inventory of Federal evaluations is an indexed file to evaluation reports produced by or for the Federal Government. It contains about 1,900 reports produced by a number of Federal agencies. Also included are GAO evaluation reports that relate to the programs of those agencies.
- The inventory of requirements for reports to the Congress is an indexed file to congressional reporting

requirements from about 250 Federal departments, agencies, boards, commissions, and federally chartered corporations. It currently contains data on just over 2,000 reports.

--The inventory of Federal information systems is an indexed file to Federal information systems that contain fiscal, budgetary, and program-related information. The file currently contains information on about 1,600 major systems.

--The inventory of Federal information resources is an indexed file to Federal information resources that contain fiscal, budgetary, and program-related information, such as libraries, archives, and major publications. It describes about 700 information sources and resources maintained by various Federal agencies.

These inventories are maintained on central computer files in a manner that allows transfer to other organizations. The information is also available through the Library of Congress' SCORPIO information retrieval system. This capability facilitates their use by the Congress, permitting each committee to conduct its own basic data research.

Hard copy versions of the computerized files are published periodically for congressional and others' use. The publication cycle is as follows: Federal evaluations, annually; requirements for reports to the Congress, every 2 years; Federal information systems, every 4 years; and Federal information resources, every 4 years. All volumes are tentatively scheduled for publication in March 1980. This series cites and indexes the information supplied by Federal departments and agencies who provide the Congress with current and comprehensive program information. The documents are available to the public through the Superintendent of Documents.

Using these congressional information inventories, we can select and provide from the central computer files the sources that may be of particular interest, such as major issues or legislation being addressed by the Congress or management matters such as all the Federal grant management systems and the programs they support

In summary, our program for the next few years will be directed toward

--providing specialized inventories needed by Congress,

- providing assistance to congressional users when accessing our data bases, and
- continued improvement of the coverage and quality of the inventories.

CHAPTER 5

EXECUTIVE BRANCH PROGRESS

On February 28, 1979, the Office of Management and Budget and the Department of the Treasury issued their fifth annual report to the Congress in accordance with section 202(f) of the Legislative Reorganization Act of 1970, as amended. That section requires that:

"On or before March 1, 1975, and each year thereafter, the Director of the Office of Management and Budget and the Secretary of the Treasury shall report to the Congress on their plans for addressing the needs identified and specified under subsection (c), including plans for implementing changes to classifications and codes to meet the information needs of the Congress as well as the status of prior year system and classification implementation."

The report presented a review of a number of executive branch actions during the past year that were directed toward satisfying congressional needs. Included is a discussion of activities planned by the Department of the Treasury and OMB for the coming year. Additionally, the report addressed GAO's recommendations in its August 29, 1978 annual report on congressional information needs.

In this chapter we discuss many of the actions reported on in the OMB/Treasury report and provide our views on the executive branch progress and comments on the results of our continued analysis of these areas.

BUDGET TERMS AND CONCEPTS

Changing a budget concept and practice is a slow process, requiring considerable analysis and extensive coordination. Some current efforts of GAO, Treasury, and OMB to develop and refine standard terms and concepts for use by Federal agencies have been discussed elsewhere in this report:

- GAO's glossary entitled "Terms Used in The Budgetary Process," (PAD-79-9) (see p. 3);
- Redefinition of reappropriations (see p. 4);
- Definition and development of full funding concept (see p. 7); and

--Treatment of budget authority for (1) programs with offsetting collections and receipts (see p. 6), (2) programs which use borrowing authority (see p. 7), (3) foreign military sales (see below), (4) revolving funds (see below).

In our report "Budget Authority for Foreign Military Sales is Substantially Understated," (PAD-78-72, July 27, 1978), we recommend a change in the way budget authority for the foreign military sales (FMS) trust fund is calculated.

Our position is that budget authority--i.e., the authority to enter obligations that will result in outlays of Government funds--for the FMS trust fund should be the full amount of new acceptances. These acceptances authorize the U.S. Government to place orders (thereby incurring obligations) to purchase services and items for foreign buyers, and, as such, represent budget authority. The amount of new orders placed normally represents only a portion of the acceptances. Therefore, budget authority calculated on the basis of orders placed understates the actual authority. There was a \$2.6 billion understatement in fiscal year 1977. OMB's views, in disagreement with GAO's recommendations, were stated in letters dated September 27, 1978, to the chairmen of the House Committee on Government Operations and the Senate Committee on Governmental Affairs in the OMB/Treasury annual report. They believe FMS budget authority should be only the amount necessary to cover new obligations. We continue to view this practice as inconsistent with the definition of budget authority in the Congressional Budget Act of 1974.

GAO has recommend fuller budget disclosure of Government business activities with non-Federal entities by reporting gross revenues and expenses of public enterprise accounts financed by revolving funds. It is our opinion that for the Congress to decide on budget totals and make priority allocations among functions under the budget process, it must have complete information on the total (i.e., gross) levels of Federal activities. OMB does not agree that such a change should be made and they point out that our analysis addressed only a portion of the offsetting collections and receipts, those of public enterprise revolving funds. The ongoing study discussed on page 6 addresses all offsetting receipts and collections. The report will provide a basis for reconsidering the pros and cons of net and gross reporting and the extent of congressional control of those Government business receipts.

CHANGES TO THE BUDGET PROCESS

Zero-base budgeting

GAO's recent study of zero-base budgeting is discussed on page 4 of this report.

Multiyear budget planning system

OMB is implementing a multiyear budget planning system. Our various studies of the existing budget process indicate that greater multiyear policy, program, and budget planning is necessary.

Population change and long-range effects on the budget

OMB included in Part 3 of the 1980 Budget, "Economic Assumptions and Long-Range Budget Outlook," a discussion of the probable effects of demographic changes on the budgeting process. In the February 28, 1979, OMB report it was stated that demographic analysis will be sharpened in future years. We support the continuation of analysis in this area since demographic changes have significant effects on the budget.

Credit control proposal

On December 28, 1978, we responded by letter to OMB's staff paper "Achieving Better Control Over Federal Credit Programs," (Nov. 16, 1978). In Circular No. A-11, dated May 25, 1979, OMB states that emphasis will be put on reviewing Federal credit programs more intensively within the budget process through a new credit control system.

We support the proposed concept in principle, and will comment on the specifics as the control system becomes operational.

Presenting the program and financing schedules on the basis of obligations

Since we believe it would be more useful to the Congress, we have proposed that the program and financing schedules in the Budget present data on the basis of obligations rather than costs. OMB reported (in the Feb. 28, 1979 report) that the proposal was being reviewed in conjunction with the annual update of OMB Circular No. A-11, "Preparation and Submission of Budget Estimates." No change was made in the most recent Circular No. A-11 dated May 25, 1979. We urge that consideration of this proposal continue.

Administrative control of funds

Our recent work on the apportionment process (see p. 9) underscored the need for improved fund control in Federal agencies. We support OMB's efforts to approve revised fund control procedures and urge that the importance of this work be emphasized.

BUDGET CLASSIFICATIONS

Program and activities identification

On page 11, we discuss efforts to develop a program inventory and OMB's views.

Budget function categories and national needs presentation

The presentation of the 1979 and 1980 budget on the basis of national needs, as required by law, has helped to put a national policy focus on the setting of priorities among budget needs. This, along with some account reclassifications and changes at the subfunction level, has brought about improvements to the budget presentation and categories used in the congressional budget resolutions. There was no change in the 1980 budget to the budget function categories.

Improvements have been made in these categories in the past few years, especially the establishment of separate categories for energy and transportation. However, we believe there are additional changes that can be made in the coming years to more clearly and explicitly focus on

- housing,
- education,
- employment and unemployment,
- social services and public assistance, and
- retirement benefits.

The Congress is or will be considering each of these national policy areas over the next few years. As it addresses the substance of the policy and the programs, the Congress should also consider the nature of the budget priority setting categories and make changes where needed. For example, as the Congress reviews the retirement and pension policies and programs, it may become evident that

these programs do not receive sufficient budget policy attention on their own by being included in a broad "income security" category.

Standard data coding of
organizational elements

Discussions among OMB, GAO, and Treasury are continuing in an effort to agree on the most useful codes for identifying Federal Government organizations.

APPROVAL OF ACCOUNTING
SYSTEM DESIGNS

Section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) makes the head of each executive agency responsible for establishing and maintaining accounting systems that conform to principles and standards prescribed by the Comptroller General. The Comptroller General is required to review executive agency accounting systems and approve them once they conform to prescribed principles and standards.

One of the prescribed principles is that agencies must maintain their accounts on an accrual basis. Accounting data produced on the accrual basis, among other benefits, are needed by agencies in the budget execution process.

We have approved statements of accounting principles and standards for most of the executive agencies' 326 accounting systems and we have approved about 60 percent of the accounting system designs. Only one accounting system design qualified for approval during the first 10 months of fiscal year 1979.

The Departments of Defense and Health, Education, and Welfare account for about 72 percent of the unapproved systems. Problems encountered which have impeded the approval of some of these systems include:

- The accounting controls over such assets as equipment, weapons, and furniture are not adequate to ensure that items are not lost, stolen, or misplaced.
- The systems used to account for major appropriations do not have a system of subsidiary accounts that can be used to record and systematically accumulate the cost of specific items purchased and expenses incurred in carrying out specific operations.
- The accounts are not kept on an accrual basis.

--Information produced by the systems did not provide the necessary cost data that would allow agency managers to base decisions on lowest cost alternatives.

It has been our desire for some time to approve all the executive agency accounting systems by the end of 1980. However, too many agencies have designed and are operating systems that do not meet our requirements. Some agencies have undertaken the development of new accounting systems which will meet our requirements but completion and approval of these accounting systems is several years away. Other agencies need to put greater emphasis on having their systems approved. The Office of Management and Budget has recently initiated a financial priorities program which includes a commitment to get General Accounting Office approval of all executive agency accounting systems. Active guidance and encouragement from the Office of Management and Budget should help agencies in improving their financial management systems.

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