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United States  
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Accounting and Financial  
Management Division

B-248591

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Mr. Richard Emery  
Deputy Assistant Director for  
Budget Review and Concepts  
Executive Office of the President  
Office of Management and Budget

Dear Mr. Emery:

I appreciate the opportunity you provided to comment on the Office of Management and Budget's (OMB) Circular No. A-11. As you may know, I was recently selected to head GAO's Budget Issues work, and some delay occurred in developing our comments as a result of my transition. I have enclosed our technical comments with this letter and hope they will still prove useful in your review of the circular.

Beyond these specific comments, there are several GAO projects underway, discussed below, which could have a future bearing on budget preparation issues addressed in the circular.

- Improving linkages between accounting and budgeting at the Department of Veterans Affairs, including an assessment of the potential value of accrual or cost-based concepts in preparing the agency's budget.
- Re-examining our restructured budget proposal to better highlight the investment implications of federal programs, as well as appropriate ways to identify trust and enterprise programs.
- Addressing the need for a fiscal planning process explicitly linking budget policy to its effects on long-term economic growth to provide a better framework to consider the costs and benefits of deficit reduction.
- Reviewing the development and use of performance measures as an important tool to improve policymaking and the operations of the federal government.

GAO/AFMD-92-64R, A-11 Comments

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I would like to get together with you in the near future to discuss these and other issues of mutual interest. It would be quite helpful for me to better understand the issues you and others at OMB are working on and to gain a better appreciation for your budgetary vantage point. I would also be anxious to obtain your input on our current budget projects as well as on future work that GAO might undertake in this area.

Sincerely yours,



Paul L. Posner  
Director, Budget Issues

Enclosure

U.S. GENERAL ACCOUNTING OFFICETECHNICAL COMMENTS ON OMB CIRCULAR NO. A-11Section 11: General Requirements

It may be advisable to require statements of revenue and expense, and of financial condition, not only for those entities listed (i.e., government-sponsored enterprises, public enterprise funds, and where required by the Government Corporation Control Act), but also for "substantial commercial functions" as designated by OMB in August 1991. This would also align Circular A-11 with the Chief Financial Officers Act, which calls for preparation of financial statements for accounts which performed substantial commercial functions.

Section 13: Basis for Reporting on  
Employment and Personnel Compensation

Several additions to Section 13.3 may be appropriate. The addition of "sick leave" to sentences 5 and 7 in (a) (1) would ensure that all non-work hours are included in calculations of staffing requirements. Similarly, OMB might consider including a requirement in Section 13.3 (b) to estimate (1) "net promotions" and (2) amounts proposed for General Schedule performance awards, just as it requires estimates of "net within-grade increases" and the costs associated with SES and GM award programs.

OMB might consider including a reference to the new authority to pay new candidates at higher steps of the General Schedule and noting that the Office of Personnel Management's approval of reclassifications of large groups of positions is no longer required.

Section 15.9: Information on Consulting Services

Subsections (b) (2) might be modified to reference that "description of need" for appointed experts and consultants should coincide with and reflect requirements listed in the Federal Personnel Manual (Chapter 304). This would ensure that decisions reflected in Circular No. A-11 would use the basis developed by personnel specialists and used in other government appointments.

Section 23: Baseline Estimates

Section 23.2 (c) states that, "Baseline estimates should reflect the effect of final and proposed regulations (emphasis added)." To further clarify this section and to emphasize the intent of the Budget Enforcement Act, OMB may want to consider adding the following phrase: "...proposed regulations, as long as further congressional action is not required for implementation."

Section 32: Program and Financing Schedules

A broader discussion of capital investment, which would include developmental capital as well as federal capital investment, may be desirable in order to highlight the developmental aspects of some capital investment. To more clearly distinguish between developmental and federal capital investment, developmental capital investments could be shown separately in the "program by activities" portion of the schedules, consistent with amounts reported for the corresponding character classification categories. This approach would permit analyses of these different types of investments.

Section 43: Data on Acquisition, Operation, and Use of Information Technology Systems

In Section 43.2 (a), OMB may want to consider including definitions from Circular No. A-130 in the discussion of criteria for determining "major information systems." Circular No. A-130 includes criteria in addition to the cost factors included in Circular No. A-11. Using these criteria would expand reporting requirements to include systems having importance to an agency's mission or having a significant effect on the administration of agency programs, finances, property, or other resources. Further, each of the major information systems identified under this reporting mechanism could be linked to the agency mission that is met by the system; this is not currently required and could be accomplished through minor modifications to the required reports. This would facilitate a more comprehensive review of the programmatic effect of proposed systems and would assist in cost-benefit analyses.

Section 44: Information on Research and Development

The measures of productivity included in Section 44.3 could be expanded to add "results" or "outcome" measures, such as (1) number of patents licensed, (2) number of patents generating

royalties or other income, (3) amount of royalties or other income received as a result of government employee inventions, and (4) amount of royalties or other income received as a result of non-government (contractor) employee inventions.

Further, OMB may want to consider adding a requirement to estimate the human resource input for technology development. Because technology is produced by people, not dollars, the number of agency scientists and engineers who have the potential to produce technology is an indicator of the federal government's direct investment in research and development.

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