

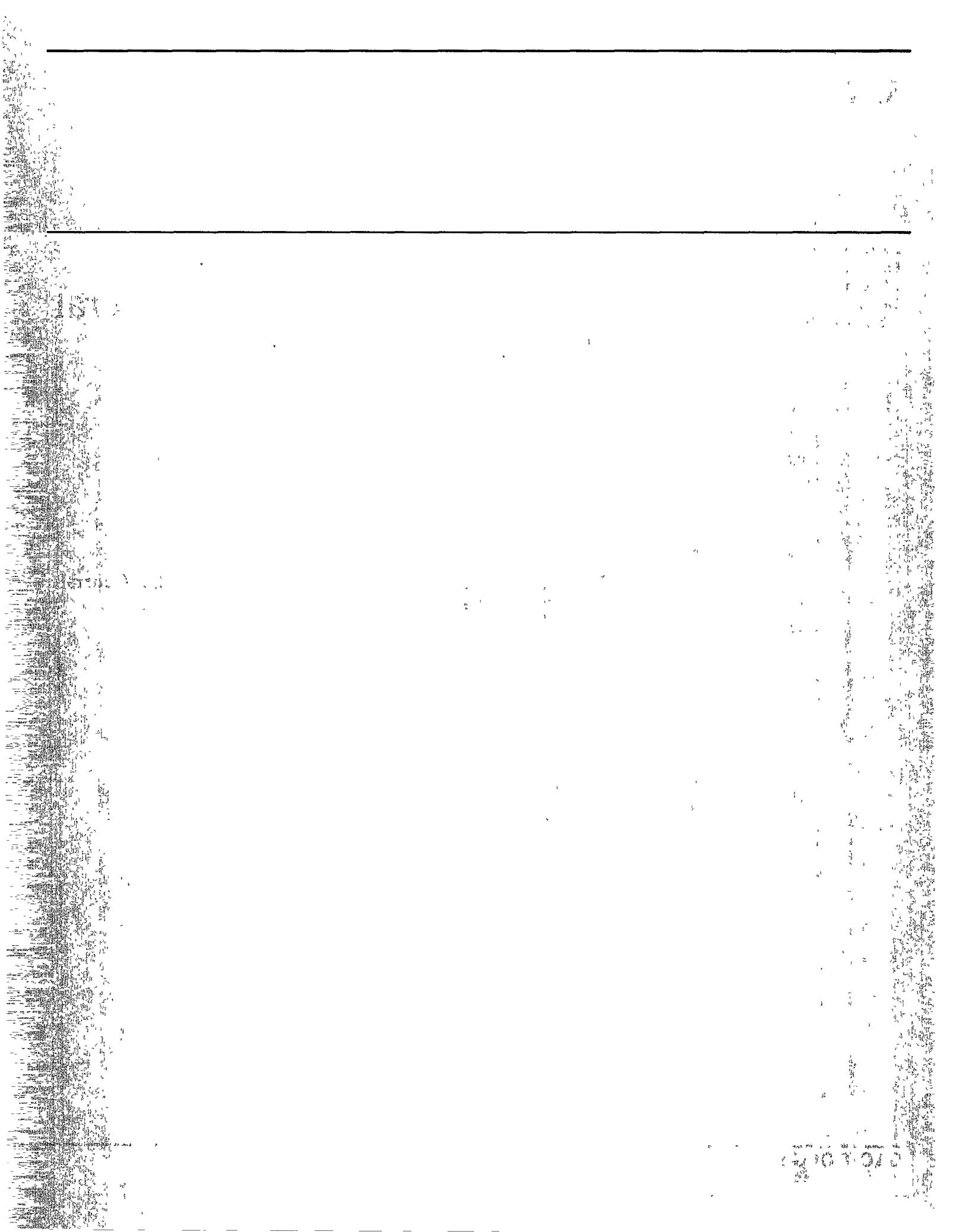
GAO**Testimony****Before the Subcommittee on Legislative, Committee on
Appropriations, House of Representatives**

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**Fiscal Year 1998 Budget
Estimates for the U.S. General
Accounting Office**

**Statement of James F. Hinchman, Acting Comptroller General
of the United States**





Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify on GAO's fiscal year 1998 budget request. GAO has undergone major changes over the last few years, including significant cutbacks in people and resources. Our budget request for 1998 reflects needs that have resulted from some of those changes.

The General Accounting Office was created to help ensure that taxpayers' dollars are wisely spent. We seek to fulfill this mission by encouraging honest, efficient management and full accountability throughout the federal government. We serve U.S. interests by providing Congress, other policymakers, and the public with accurate information, unbiased analyses, and objective recommendations on the use of public resources.

The issues we examine span the breadth of national and international concerns, including health care, financial management and accountability, law enforcement and banking, information technology, national security, energy and the environment, aviation security, defense procurement, education and employment, transportation, tax administration, income security, housing, international relations and trade, and many others.

About 78 percent of GAO's work during fiscal year 1996 was done at the request of Congress. GAO is required by law (P.L. 67-13) to do work requested by congressional committees and assigns equal status to requests from committee chairs and ranking minority members. More and more in recent years, congressional legislation has mandated GAO audits and evaluations, and to the extent possible within resource constraints, GAO also responds to requests from individual members. Finally, GAO undertakes assignments independently in accordance with its basic legislative responsibilities.

While audits and evaluations are the most visible aspects of GAO's work and absorb the largest share of its resources, GAO has other important functions. We prescribe accounting standards for the entire federal government, in conjunction with the Office of Management and Budget and the Department of the Treasury, and issue generally accepted government auditing standards for all levels of government entities. We also issue legal decisions on matters involving government revenues and expenditures, such as protests against the award of federal government contracts.

**Fiscal Year 1996 Accomplishments
and Highlights**

During the past year, we marked two important milestones. We bid farewell to Charles A. Bowsher, who retired as Comptroller General

at the end of his 15-year term on September 30, and celebrated our 75th anniversary of service to Congress and the nation.

GAO is proud of its long tradition of service to Congress, the contributions it has made toward improving federal government operations, and congressional actions based on GAO recommendations. In fiscal year 1996, GAO provided Congress and federal agencies with recommendations for measurable financial benefits and management improvements and with numerous testimonies, audit and evaluation products, and legal opinions.

As a result of GAO's recommendations and audit findings, the legislative and executive branches took actions with financial benefits of over \$17 billion. These actions included budget reductions, costs avoided, appropriation deferrals, and revenue enhancements that are directly attributable to or were significantly influenced by GAO's work.

Further, we made other recommendations and documented audit findings that resulted in or contributed to improvements in the effectiveness and efficiency of government operations and services. Although these improvements cannot always be quantified in monetary terms, their impact is significant because they lead to a better-run, more streamlined government. Past experience shows that about 70 percent of our key recommendations are implemented within 4

years, through the passage of implementing legislation and agencies' corrective actions.

In all, we produced 1,306 audit and evaluation products. These products include 908 reports to Congress and agency officials, 217 formal congressional briefings, and 181 congressional testimonies delivered by 68 GAO executives before 85 congressional committees and subcommittees. We also provided 29 statements for the record to congressional committees and subcommittees and produced 3,041 legal decisions.

**Actions Taken to Absorb the
25-Percent Budget Reduction**

As you are aware, our budget was reduced in fiscal years 1996 and 1997 by a total of 25 percent from the 1995 level. Since employee compensation constitutes about 80 percent of our budget dollars, most of the actions taken to manage the budget reductions necessitated a loss of people. Today, as a result of those reductions, GAO's staffing is at its lowest level since before World War II.

To manage the reduction in staff, we continued the hiring freeze which has been in place since 1992, obtained Congress' permission to pay "buyouts" to employees willing to leave voluntarily, and offered early-out retirement to eligible staff. Several hundred

staff were also involuntarily separated as a result of the closure of three field offices and the elimination of many administrative, technical, and support positions, mostly at headquarters. In addition, GAO transferred its claims function to the executive branch. At the end of fiscal year 1996, we had about 3,500 staff on board, which amounted to a 35-percent workforce reduction since fiscal 1992.

In addition to reducing staff, we also substantially reduced funding in other areas. For example:

- Promotions and awards were frozen during the last 2 years, and GAO has not funded bonuses since fiscal year 1992.
- We reduced the amount budgeted for office rent by over \$11 million through the closure of offices and the consolidation of local audit sites and offices at our headquarters building.
- We reduced funding for travel, training, subscriptions, supplies, and equipment by almost 40 percent.
- We have reduced funding for information management technology by 38 percent since fiscal year 1995 and have deferred most of our capital investment.

In all, funding reductions already taken at GAO will total over \$1 billion over the next 5 years.

Fiscal Year 1998 Budget Request

Having worked hard to successfully implement this 25 percent reduction in our appropriations in fiscal years 1996 and 1997, we believe an increase in our funding is essential in fiscal year 1998 if we are to stabilize our organization and maintain our capacity to serve Congress effectively. We are therefore asking that the Subcommittee consider a fiscal year 1998 budget of \$368,828,000 to support our staff of 3,500 people and an full-time equivalent staff level of 3,450. The increase included in this request is for five purposes:

- mandatory pay and benefits increases;
- price-level increases to cover the higher costs of transportation, printing, supplies, personnel services, and other essential mission support goods and services;
- pay-related costs for promotions and employee recognition, which we have foregone in recent years;
- information technology upgrades; and

-- maintenance and repair of GAO's headquarters building.

Mandatory pay and benefit increases are the most important piece of our request. Without the funding to cover uncontrollable costs such as locality pay, cost of living, and personnel benefits increases, we will have to reduce our staff level even further. The people who work at GAO are our most valuable resource, and a further reduction in staff will hamper our ability to maintain our current level of operations.

It is also important to offset other uncontrollable inflationary increases, such as the higher cost of travel and transportation, printing, and supplies. Without the funding to cover these costs, further funding reductions will be necessary, impairing our capacity to function effectively.

In addition, funding for promotions and employee recognition will help us to retain and recruit the talent needed to continue our support of Congress. We are losing many of our key people to executive branch agencies and professional firms offering pay incentives, such as promotions, bonuses, and awards, that GAO has been unable to offer for several years.

Investment in our information technology program is needed to replace older and nearly obsolete computer equipment and software, as well as to upgrade our systems to support GAO's new reengineered

job processes. While the network and data collection software applications are in place and fully operational, we need to upgrade workstations, software, applications, and network operating system hardware and software. We need these upgrades to ensure continued efficient operation and to maximize the productivity gains that information technology makes possible.

Finally, the GAO building, built in the early 1950s, continually requires maintenance and repair to ensure a safe, healthy, and efficient work environment for our people.

Concluding Remarks

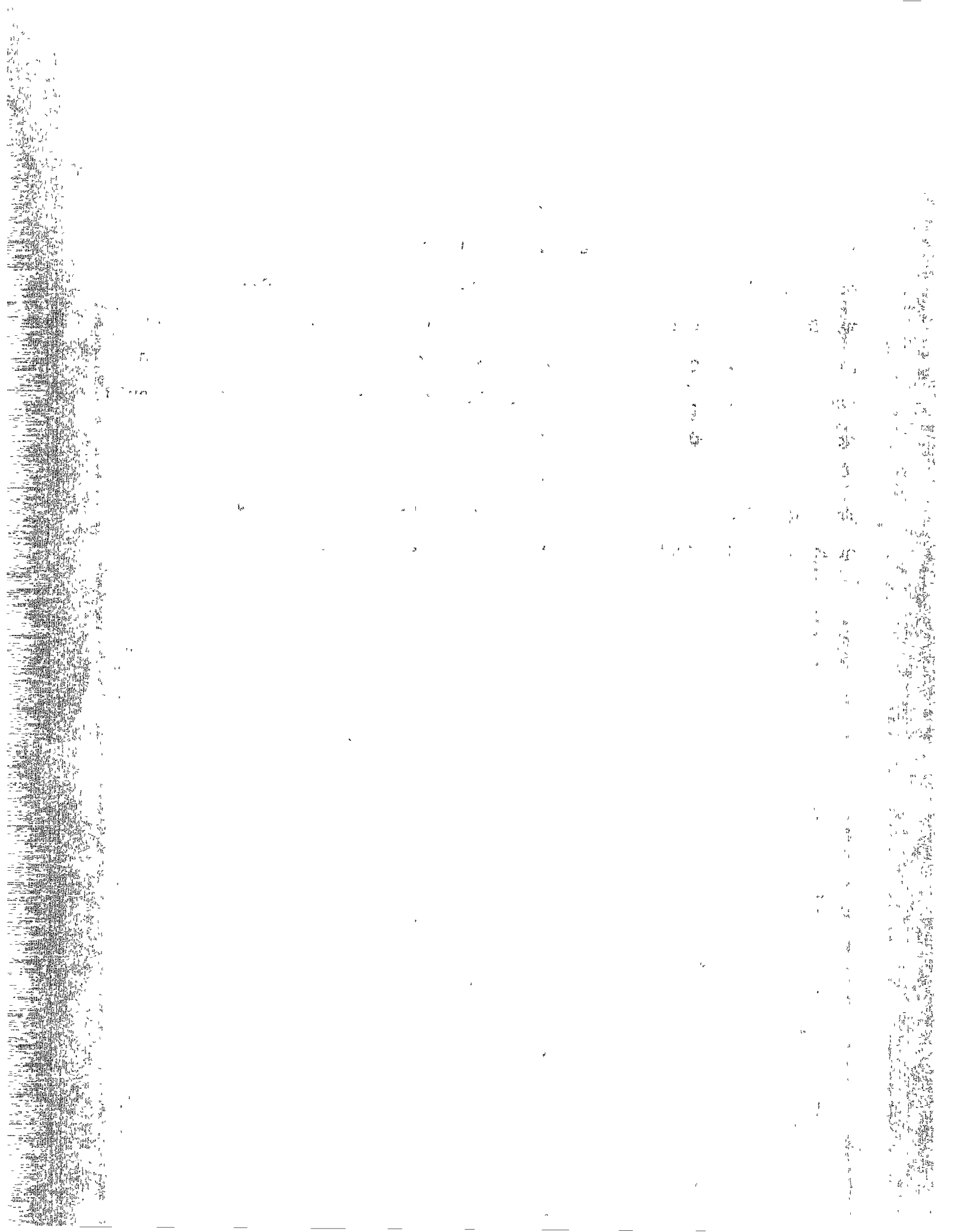
For over 75 years, GAO has assisted the Congress in carrying out its legislative and oversight responsibilities, shifting its focus and updating its operations to accommodate changing congressional needs. Through the results of our work in many diverse areas, GAO has given Congress a high rate of return on its investment, in which Congress can take justifiable pride. Each year, GAO's goal is to identify at least \$10 billion in financial benefits.

Although this amount fluctuates from year to year, between fiscal year 1992 and 1996, financial benefits totaled over \$103 billion, or nearly \$50 for every dollar appropriated for GAO.

We recognize, Mr. Chairman, that resources are limited throughout government. GAO is committed to holding down costs wherever

possible, as our record demonstrates, and we have sought to be prudent in our budget submission. However, if GAO is to maintain its long tradition of service to Congress, the agency needs the resources necessary to maintain a strong and effective organization. This includes the funds necessary to pay for mandatory increases in people-related costs and increases in the prices of the goods and services we buy. We also need to address those capital investment and facility maintenance needs that should not be deferred.

This concludes my statement. We would be happy to answer any questions the Members of the Subcommittee may have.



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