094584

UNITED STATES GENERAL ACCOUNTING OFFICE

Washington, D.C. 20548

For Release on Delivery

Expected at 10:00 a.m.

June 5, 1974

STATEMENT OF

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COMPTROLLER GENERAL OF THE UNITED STATES

Before The

Subcommittee on Legislation and Military Operations,

House Committee on Government Operations.

Mr. Chairman, and Members of the Subcommittee,

I appreciate this opportunity to discuss our thoughts on three bills: H.R. 12113, a bill to revise and restate certain functions and duties of the Comptroller General of the United States; H.R. 14718, a bill to discontinue or modify certain reporting requirements of law; and H.R. 12181, a bill to direct the Comptroller General of the United States to conduct a study of the burden of reporting requirements of Federal regulatory programs on independent business establishments, and for other purposes.

With your permission, I would like to make a brief statement on each of the bills. In addition, I have amendments to H.R. 12113 that I would like to offer for the Subcommittee's consideration.

H.R. 12113

As you know, H.R. 12113 was drafted and submitted by our Office. The bill contains provisions that we consider important to make our operation more efficient, and to give us somewhat more flexibility in carrying out statutory responsibilities assigned us by the Congress.

I would like briefly to discuss each of the seven titles in the bill.

Title I - Statistical Sampling Procedures In The Examination of Vouchers

Public Law 88-521, approved August 30, 1964, gives heads of departments and agencies and the Commissioner of the District of Columbia the authority to allow the use of statistical sampling in the examination of disbursement vouchers for amounts less than $100. The law also provides that certifying and disbursing officers acting in good faith and using such procedures are relieved of liability for improper certification of payment of vouchers that may not have been examined because of the statistical sampling plan used.

Title I would amend subsection (a) of Pub. L. 88-521 so as to eliminate the current $100 limitation on the amount of disbursement vouchers subject to audit by statistical sampling and in its place would impose a limitation of such amount as from time to time is prescribed by the Comptroller General . It also would add a new requirement that the Comptroller General include in his reviews of accounting systems an evaluation of the adequacy and effectiveness of procedures established under authority of the amended Act.

Since the original legislation, enacted in August 1964, the cost of doing business has increased significantly. The Consumer Price Index has risen from 93.0 for August 1964 to 144.0 for April 1974, a gain of 51 points.

The result is that a great many disbursement vouchers previously subject to sampling and therefore exempt from 100% audit now must be audited due to increased costs and the $100 limitation imposed by law. Agency savings are diminished because of the increasing number of vouchers (over $100) that must be audited on a 100 % basis. The studies which resulted in this proposed legislation showed that in the early 1960s about 65 percent of all vouchers were under $100. During 1970, the percentage of vouchers under $100 had dropped to 51%. A 1971 survey showed that only 12 agencies were using the sampling procedure. One department (Justice) reported that 95 percent of its vouchers exceeded the $100 limitation. The Executive agencies strongly support raising the limitation. Agencies reporting under the survey estimated annual savings in excess of $1.5 million. By raising the ceiling to $250, the savings would increase by about 35 percent for the 12 agencies currently using the sampling procedure. Additional savings would be achieved as other agencies find it worthwhile to use the sampling procedure under the higher ceiling.

The amended language authorizing the Comptroller General to establish the upper limit for disbursement vouchers that may be sampled, and to change this limit from time to time as conditions

warrant, will avoid the current problem of having a limitation fixed by law that only can be changed by the lengthy process of changing the law.

Nothing in the amending language will permit a department or agency to use statistical sampling indiscriminately up to the limit established by the Comptroller General. Rather, each user will have to demonstrate, by acceptable study, that economies will result up to the limit they propose to use. Thus, we envision that varying limits that are below the maxmum established by the Comptroller General will be used by different agencies.

Title II - Audit of Transportation Payments

Title II, section 201, amends section 322 of the Transportation Act of 1940 to continue the requirement, contained in the law since 1940, for payment of carrier bills upon presentation, but makes it clear that the primary responsibility for the audit of transportation bills and the recovery of overcharges is to be removed from the GAO and placed in one or more executive agencies designated by the Director of the Office of Management and Budget. The GAO transportation audit responsibilities and related functions would then conform to the procedures for the audit of Government payments generally.

Section 202 provides for the transfer of the necessary records, property, personnel, appropriations, and funds. It also provides

certain job protection for transferred employees similar to that contained in section 9(h) of Public Law 89-670, which created the Department of Transportation. Specifically, it provides for transfer without reduction in classification or compensation for one year after such transfer. There has been some concern about the extent of protection offered by the bill, and when I complete my statement I would like to offer an amendment I believe will clarify this provision.

Section 203 provides a time period within which to accomplish the transfer of functions authorized.

The GAO presently determines the correctness of charges paid for freight and passenger transportation services furnished for the account of the United States. This audit of Government transportation payments includes the functions of recovering overcharges, settling transportation claims both by and for the Government, reviewing, evaluating, and reporting on the transportation activities of Government agencies, and assisting the agencies to improve their effectiveness in these activities.

Ordinarily, agencies that contract for goods and services determine the correctness of charges therefor prior to payment. Because the complexities of determining the correctness of transportation rates and charges underlie delayed payment of carrier's bills, the Transportation Act of 1940 provided for payment prior to determining the correctness of the charges, a determination that was then made in the GAO as part of the detailed, centralized audit of Government expenditures.

We now propose that the entire transportation audit function, including the settlement of claims, be transferred to the Executive Branch not later than July 1, 1976, with GAO retaining its oversight responsibilities as well as an appellate function enabling carriers to request the Comptroller General to review executive agency action on their claims.

The basic reason for proposing the transfer of this operation is that by its very nature it is primarily an operating function of the Executive Branch. Almost all of the transportation costs of the Government are incurred by Executive Branch agencies in the course of carrying out their operations. This being the case, the responsibility for determining that the charges billed are technically correct belongs to the branch of Government that procures the transportation services. Under the policy established in the Budget and Accounting Procedures Act of 1950 this is true for payments for all other types of services and it should apply to transportation, as well.

The detailed transportation audit function is simply not consistent with the general purposes, objectives, and responsibilities of the GAO as they have been modernized over the past 25 years. Its primary emphasis is now on evaluating the efficiency, economy, and effectiveness of executive agency management performance and on assisting the Congress in its legislative and oversight work. Responsibility for the detailed audit of transportation expenditures should be vested in the Executive Branch, subject to overall review by the GAO. This

change would conform this large area of Federal expenditure to the same concept of executive management control subject to GAO post audit that applies to all other categories of expenditures.

Title III - Audit of Nonappropriated Funds Activities

Section 301(a) would authorize the Comptroller General, unless otherwise provided by law, to review the operations, systems of accounting and internal controls, and any internal or independent audits or reviews of nonappropriated funds and related activities within the Executive Branch. Under this section the Comptroller General and his duly authorized representatives would have access to such documentation relating to these funds and activities as is deemed necessary.

Subsection (b) would require such nonappropriated fund activities to furnish to the Comptroller General an annual report of the operations of their activity, including annual statements of financial operations, financial conditions and cash flow.

Since 1969, when large-scale improprieties in the administration of the Army Exchange System first were disclosed, Congress has shown considerable interest in having GAO conduct comprehensive audits of non-appropriated fund activities. We have prepared numerous reports for the House Appropriations Committe, and the House Committee on Banking and Currency. In May 1972, Robert Keller, the Deputy Comptroller General, testified before the House Armed Services Committee on the reports prepared for the House Appropriations Committee. And in the Senate, for the past several sessions,

bills have been submitted with language nearly identical to the language now contained in Title III.

The authority provided in section 301 would extend generally to instrumentalities that are established and operated under the control of an executive department or agency for the benefit of its personnel, and that are financed from sources other than appropriations. There has been some confusion over the types of funds and activities that would be subject to GAO review under this Title. Therefore, when I have completed my statement on this bill, I intend to offer an amendment that I believe will clarify the scope of GAO review authority under this title.

The GAO does not propose to undertake the general responsibility for auditing of non-appropriated fund activities. We believe the primary responsibility should rest with the operating agencies concerned. However, we do believe that we should have the authority to make audits on a highly selected basis in order to test the adequacy of internal audit and other internal controls and to be able to respond to the requests which we receive from Congress arising from specific complaints or allegations as to misuse of these funds.

Title IV - Employment of Experts and Consultants

Section 401(a) would provide the Comptroller General discretion to employ on a full or part-time basis up to ten experts and to obtain consultant services authorized by 5 U.S.C. 3109, at a rate of compensation not to exceed Level V of the Federal Executive Pay Act.

Subsection (b) would exempt individuals serving under subsection (a) from restrictions upon reemployment of retired Federal employees

and simultaneous receipt of compensation and retired pay or annuities.

The GAO presently employs experts and consultants on a temporary or intermittent basis, without prior approval of the Civil Service Commission, under the authority of and subject to the conditions of 5 U.S.C. 3109 and a written agreement with the Commission. Compensation of these experts and consultants is limited to the rate for grade GS-18, and they are subject to most, if not all, of the other limitations enumerated above.

We believe that GAO is unique among Federal agencies in that we are called upon to perform tasks encompassing nearly the entire range of skills needed by the Federal Government. No other agency requires such a diversity of skills. These skills often, however, are required for only the relatively short period of time it may take to complete a particular program review. The present restrictions on the acquisition of experts and consultants thus present very real obstacles for the GAO in its quest for the best available talent to serve the needs of Congress and discharge its increasingly more diverse and complex responsibilities. It is for this reason that provision of the proposed legislation is needed.

Title V - General Accounting Office Building

Section 501 would give the Comptroller General control of the General Accounting Office Building; would provide for the subleting of space therein to other agencies; and would authorize the Comptroller General to lease additional space for the use of the General Accounting Office in the District of Columbia and elsewhere. Insofar as the headquarters

office is concerned, this would put GAO in a position comparable to the Government Printing Office, the Library of Congress, and the Architect of the Capitol.

The record as to why the General Accounting Office Building was placed under the jurisdiction of the General Services Administration is not entirely clear but we assume that this arose from the fact that when the building was initially authorized the GAO was not clearly an agency of the legislative branch; it was considered by some in the nature of an independent agency somewhat comparable in status to the independent regulatory agencies. Under this assumption, it was logical that GSA should have the responsibility for building and managing space for GAO.

The GAO is now the only agency of the legislative branch whose headquarters space is under the jurisdiction of the GSA. We believe that managing our own building would be consistent with the pattern established for other parts of the legislative branch. Moreover, we believe that we should be completely free of any concern that GAO audit results are affected in any manner by differences of opinion which we may have from time to time as to providing our space needs and the audit of GSA space activities generally. For example, the implementation of the new Federal Buildings Fund in fiscal year 1975 is already proving to be quite controversial because of the increased charges which are being placed upon agencies, including the GAO.

We believe that our status as an arm of the legislative branch with responsibility for giving the Congress our objective views with respect to programs of the executive branch would be enhanced if we had

responsibility for meeting our own space requirements. There would be substantial savings in the GAO's budget and we believe that we have adequate personnel with administrative experience to deal with the management of the GAO Building. Obviously, we would cooperate with the GSA where this would be in the interest of both agencies but the primary responsibility should rest with the GAO.

Title VI - Audits of Government Corporations

Title VI amends the Government Corporation Control Act, the Federal Deposit Insurance Act, the Federal Crop Insurance Act, and the Housing and Urban Development Act of 1968 to provide for audits of Government corporations at least once in every 3 years. Title VI also removes the requirement for an annual audit from the District of Columbia Redevelopment Act of 1945 and the Federal Home Loan Bank Act.

Presently, Government corporations are required to be audited annually and a report is made by the Comptroller General to the Congress after each audit.

One of the objectives of the 1972 reorganization in our Office was to place us in a better position to handle our total workload. The amendments proposed are another step toward that objective and one which, if enacted, will not dilute congressional oversight of the operations of the corporations covered in this section of the bill.

We are not proposing that audits necessarily be made only every 3 years. On the contrary, in many cases we may continue to audit the corporations annually and the bill is worded in such a way so as

to give us that discretion. Thus, in situations where the Comptroller General may find that internal audits and accounting controls are weak or ineffective, he may well decide an annual audit by his Office is necessary. On the other hand, in situations where the Comptroller General finds good accounting, good management, and effective internal audits, it would obviously not be an effective use of his own resources to routinely make audits more often than his judgment as the chief accounting officer of the Government dictates. In this regard, we would of course consider interests of Congress in deciding what activities we would audit in these corporations, and how frequently.

Title VII - Revision of Annual Audit Requirements

Title VII deletes the requirement for an annual audit from the Federal Property and Administrative Services Act of 1949, the Housing Acts of 1949 and 1950, the Federal Credit Union Act, and the Acts concerning the operations of the Bureau of Engraving and Printing, the Veterans Canteen Service, Federal Aviation Administration, the Higher Education Insured Loan Program, and the Government Printing Office. Under this bill the audit of these activities will be in accordance with the provisions of the Accounting and Auditing Act of 1950.

This title --as with title VI--is designed to provide flexibility in carrying out our audit responsibilities. The decision as to the frequency of audit would be determined on an activity-by-activity basis, again, of course taking into account the interests of Congress. Where an annual audit is warranted, it would be performed.

Conclusion

In conclusion, Mr. Chairman, the provisions of this bill, if enacted, would enable us to perform our statutory functions more effectively, and with greater flexibility. The end result would be increased support for the Congress, as well as more effecient operations within the General Accounting Office. We look forward to providing our fullest cooperation in connection with consideration of this legislation.

Proposed Amendments to H.R. 12113

Mr. Chairman, since submitting H.R. 12113 to you last December for consideration, we have developed amendments to two titles, and one new title that we would like to place before the Subcommittee for possible inclusion in H.R. 12113.

Amendment to Title II - Audit of Transportation Payments

We have found in discussions with the Committee staff some confusion as to precisely what protection would be offered to GAO employees transferred under Title II - Audit of Transportation Payments. This is an important area, so I would like to offer at this time amended language to clarify the protection afforded. The language would replace Section 202(b) and reads as follows:

> "(b) The personnel transferred pursuant to subsection (a) of this section shall be without reduction in classification or compensation for one year after such transfer, except for personal cause. In the second year of their employment after such transfer, such employees shall retain the protection afforded by 5 U.S.C. §5337, as if they had continued to be employees of the U.S. General Accounting Office."

This provision would (1) afford the transferred employees protection against any reduction in classification or salary, except for cause, within the first year after transfer; (2) give them the same protection under 5 U.S.C. §5337 the second year that they would have had if they had remained at GAO instead of transferring to the new agency, and; (3) would place them in the same position as other employees in the third and subsequent years.

Amendment to Title III - Audit of Nonappropriated Fund Activities.

Earlier in my statement, I alluded to the confusion that exists over the types of funds and activities that would be subject to review by the GAO under Title III of H.R. 12113. As now drafted, Title III possibly could be interpreted to authorize review by the GAO of certain funds and activities which were never intended to be covered by this Title. For example, the language of Title III perhaps is broad enough to encompass the Smithsonian Institution. However, this was not our intent. Title III is only intended to authorize review of those funds and activities which, if they were operated in the private sector, would be profitmaking enterprises.

Your staff has also asked specifically about whether Federal Credit Unions would be covered by Title III. We do not intend Credit Unions to be covered since we are already charged by 12 U.S.C. §1752a(f) to audit the financial transactions of the National Credit Union Administration, which in turn may audit individual Federal Credit Unions.

I offer this amendment to clarify our intent. The amended language is before you as Attachment 1 to my statement.

Title VIII - Limitation of Time on Claims and Demands

In addition, I would like to offer a new title, title VIII, concerning the Statute of Limitations applicable to claims filed against the United States, and cognizable by the GAO. It is Attachment 2.

Section 801 of Title VIII decreases from ten to six years after the date a claim accrued the time within which claims cognizable by the GAO may be filed in that Office. This will make the time limitation consistent with the Statute of Limitations now applicable to claims filed in administrative agencies and the courts.

Section 802 provides that the reduction in time allowed for filing claims in the GAO will not go into effect until six months after enactment, and makes it clear that the enactment of the new time will not affect claims filed before such enactment. This is intended to minimize any hardship on potential claimants whose claims may be barred by the new provision by allowing them time to file their claims before the provision takes effect, but after they are put on notice that it will take effect after six months.

Reduction of the barring statute from 10 to 6 years would have a significant impact on the amount of paperwork required to be stored by the GAO. A recent test over a typical 6-month period analyzed the requests for the GAO records held at the Federal Records Centers. In summary, the statistics gathered by that test indicated that only about 40 records between 6 and 10 years old are required each year for claims purposes. Other records are called for other purposes,

but there are duplicate copies of these records available elsewhere. Thus, we can say that all GAO Records between 6 and 10 years old could be destroyed if the statute of limitations were shortened to 6 years. This would result in a savings of at least $300,000 per year, based on the storage cost savings.

H.R. 14718

Mr. Chairman, H.R. 14718, a bill to discontinue or modify certain reporting requirements of law, flows directly from a review undertaken in 1972 and 1973 at the request of the House Committee on Government Operations.

We were asked to study the reports submitted to the Congress on a recurring basis and make recommendations for their improvement or the discontinuance of those no longer needed.

Based on data provided to us by 68 executive departments, agencies, councils and commissions, we compiled an overall inventory of 747 reports -- 544 required by statute and 203 initiated by committee and Members of Congress, requested in House or Senate reports, or submitted voluntarily by agencies. Assisted by records maintained by the Clerk of the House and the Secretary of the Senate, we subdivided the inventory into lists of reports received by each of 36 committees--16 House committees, 14 Senate committees and 6 joint committees.

The underlying philosophy for the review was that the recipients of the reports were in the best position to evaluate their usefulness. Thus, between December 1972 and March 1973, we discussed the usefulness of the reports with representatives of the 36 committees. Through these interviews, we identified 181 reports that, according to at least one recipient, needed modification or which could be eliminated: 48 to be modified and 133 to be eliminated.

Following the interview, if the staff members suggested elimination or modifications, we sent a confirmation letter to the Committee Chairman or Staff Director. The letter described the suggestions and asked the chairman to notify us if he disagreed. The letter also suggested action to be taken on eliminating or modifying nonstatutory reporting requirements in accordance with the staff's recommendations.

Because of differences between committee jurisdictions and interests, the recipients did not agree in their assessment of 102 (79 eliminations, 23 modifications) of the 181 reports. We did not attempt to reconcile these differences during the review. However, we plan to pursue the matter with the appropriate committees in the next fiscal year.

All of the recipients that we were able to identify agreed upon the action to be taken on 79 reports; 54 were to be eliminated and 25 were to be modified. 28 of the reports stem from nonstatutory requirements; 51 are required by law. The nonstatutory report requirements could be modified or eliminated through direct committee/agency action. We suggested the action needed, and provided draft letters, in our confirmation letter to the committees.

For the statutory reports, we prepared draft legislation to eliminate or modify them as indicated by the recipients. Our draft has been embodied in H.R. 14718 which is now before the Committee.

H.R. 12181

H.R. 12181, the proposed "Federal Paperwork Burden Relief Act", would require the Comptroller General to conduct a study of the reporting requirements of "Federal regulatory programs," to determine the extent to which these requirements may be revised to lessen the burden upon small and independent businesses. We would be required to complete the study and to report thereon to the Congress within one year.

Our Office has in recent months become significantly involved in projects relating to the "Federal paperwork burden." On November 16, 1973, section 409 of Public Law 93-153 was enacted containing an amendment to the Federal Reports Act which required our Office to conduct advance clearance reviews for new or revised information plans and forms proposed by "independent" Federal regulatory agencies.

Under this amendment we are required to review all existing information gathering practices for independent regulatory agencies as well as requests for additional information with a view toward (1) avoiding duplication of effort by independent regulatory agencies, and (2) minimizing the compliance burden on business enterprises and other persons.

These agencies are: the AEC, CAB, FCC, FPC, FTC, ICC, SEC, Consumer Product Safety Commission, Equal Employment Opportunity Commission, Federal Maritime Commission, National Labor Relations Board, and the Federal Energy Administration. Since November 1973, we have been reviewing these independent regulatory agencies' requests for additional information.

In addition, in November 1973 the Senate Committee on Government Operations requested that we conduct a study of the management of public-use forms for all executive agencies. We informed the Committee that such a study, involving about 6,000 forms, would require a very substantial amount of time, effort, and money. We estimated that it would take approximately 100 man-years of audit effort and about 2 years to complete. Accordingly, it was agreed that we would undertake a pilot study of different forms prescribed by one agency--the Department of Labor--and administration of the Federal Reports Act with respect to such forms by the Office of Management and Budget. The objectives of this pilot study are to identify ways in which forms management can be improved to reduce the number of forms, simplify forms and eliminate duplication in the collection of information. We are scheduled to issue a report on this study to the Senate Committee on Government Operations in early calendar year 1975. We anticipate recommending improvements with reference to each of the objectives mentioned.

We believe that our basic statutory powers and the 1973 Federal Reports amendment provide authority to conduct an appropriate review of the practices of information gathering agencies and that enactment of H.R. 12181 is unnecessary.

Finally, in spite of our opposition to this bill, we do have suggestions for certain amendments to it that we would be glad to supply the Committee if you desire.

This completes my formal statement, Mr. Chairman, and I shall be glad to answer any questions you may have.

TITLE III---AUDIT OF NONAPPROPRIATED FUND ACTIVITIES

Sec. 301. (a) ~~The operations of nonappropriated funds and related activities within the executive branch, such as the Army and Air Force Exchange Service, Navy Exchanges, Marine Corps Exchanges, Coast Guard Exchanges, and Exchange Councils of the National Aeronautics and Space Administration,~~

THE OPERATIONS OF NONAPPROPRIATED FUNDS AND RELATED ACTIVITIES WHICH ARE ESTABLISHED WITHIN THE EXECUTIVE BRANCH TO ADMINISTER THE SALE OF MERCHANDISE AND SERVICES TO MILITARY OR OTHER GOVERNMENT PERSONNEL AND THEIR DEPENDENTS, SUCH AS THE ARMY AND AIR FORCE EXCHANGE SERVICE, NAVY EXCHANGES, MARINE CORPS EXCHANGES, COAST GUARD EXCHANGES, EXCHANGE COUNCILS OF THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, COMMISSARIES, CLUBS, THEATERS, AND ANY OTHER SIMILAR ACTIVITIES OPERATED BY AN AGENCY OR DEPARTMENT OF THE EXECUTIVE BRANCH, the systems of accounting and internal controls and any internal or independent audits or reviews of such funds and activities, unless otherwise provided by law, shall be subject to review by the Comptroller General of the United States in accordance with such principles and procedures and under such rules and regulations as he may prescribe. The Comptroller General and his duly authorized representatives shall have access to such books, accounts, records, documents, reports, files and other

papers, things, or property relating to such funds and activities as are deemed necessary by the Comptroller General.

(b) To aid the Comptroller General in planning audits or reviews under subsection (a) of this section, each nonappropriated fund activity within the executive branch of the Government shall furnish to the Comptroller General at such times and in such form as he shall require an annual report of the operations of such activity, including an annual statement of financial operations, financial condition, and cash flow.

TITLE VIII - LIMITATION OF TIME ON CLAIMS AND DEMANDS

SEC. 801. Section 1 of the Act of October 9, 1940, 54 Stat. 1061, chapter 788, is amended by deleting the phrase "10 full years" and subsituting "6 years" therefor.

SEC. 802. The amendment provided for in Section 801 shall go into effect 6 months after the date of enactment and will have no effect on claims received in the General Accounting Office before that time.