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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
LEGISLATIVE SUBCOMMITTEE, APPROPRIATIONS COMMITTEE
UNITED STATES SENATE
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1973



FEB 28 1972

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate this opportunity to present our budget estimates and our plans for the operation of the General Accounting Office in FY 1973. In a separate volume, we have furnished details on the work programs, manpower, and funds proposed to support these plans. I would like to highlight the major factors which were considered in developing them.

Our appropriation for FY 1972 is \$87,108,000. The pay increase which became effective January 9, 1972, adds \$2,100,000--raising the total budget estimate for this fiscal year to \$89,208,000.

We expect to fully utilize these funds. But in doing so we are reprogramming \$1,040,000 by reducing the man-years to be financed, 111 below the number provided in our FY 1972 appropriation. We had decided to accept this reduction in line with the President's Government-wide economy moves instituted last August. However, Congress has recently passed two bills--The Federal Election Campaign Act and The Presidential Election Campaign Fund Act--which impose a major new workload on the GAO beginning this fiscal year, and which necessitate the use of our voluntary savings to finance this unforeseen requirement. As a result, we will require the full amount of the pay supplemental to cover the 5.5 percent pay increase.

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BUDGET ESTIMATE FOR 1973

Our fiscal year 1973 budget estimate of \$97 million represents a net increase of \$7,792,000 over our 1972 appropriation and supplemental, or an increase of 8.7 percent. This increase is made up of the following items:

1. <u>Annualization of 1972 Changes</u>		
a. Pay adjustments -----	\$2,743,600	
b. Office of Federal Elections -----	560,000	
(increase over \$1,040,000)	<u> </u>	\$3,303,600
2. <u>1973 Increases for Present Staff</u>		
a. Grade changes, step increases, and related benefits -----	1,299,600	
b. Travel -----	<u>235,000</u>	1,534,600
3. <u>Increase of 239 Man-years in Staff</u>		
a. Salaries and benefits -----	1,888,900	
b. Travel (\$375,000) and other expenses (\$80,900) -----	<u>455,900</u>	2,344,800
4. <u>Increase in Support Costs</u>		
a. Space, rents, communications ----	316,774	
b. Contract and other services -----	<u>292,226</u>	<u>609,000</u>
Total		<u>\$7,792,000</u>

NEED FOR INCREASED STAFF

Our FY 1973 request identifies a requirement for 5,007 man-years. This number does not include 35 man-years needed for the Office of Federal Elections which I shall discuss later in the statement. The 5,007 man-years is:

1.7% more than the 4,921 man-years requested for FY 1972

2.6% more than the 4,879 man-years allowed in FY 1972
appropriation

5.0% more than the 4,768 man-years now planned for FY 1972,
after voluntary reduction of 111

Our divisions and offices submitted 1973 work plans which called for 5,301 man-years.

As outlined in the remainder of my statement, our requested increase in staff is needed to enhance our ability to support congressional requirements and to improve our capability to conduct program reviews and cost-benefit analyses.

First, I would like to highlight for you the impact of recent legislative and other congressional actions on our work programs and our need for additional staff resources.

IMPACT OF RECENT LEGISLATIVE AND OTHER
CONGRESSIONAL ACTIONS ON GAO PROGRAMS

As I indicated in my statement last year, numerous legislative and other congressional actions--including general legislation, legislation requiring GAO to make specific studies and reviews, and legislation creating new Federal programs or increasing Federal program levels--have a marked continuing effect on GAO work. The impact of the Legislative Reorganization Act of 1970, for example, will continue and, we believe, increase considerably in the foreseeable future. Such prior legislative actions must continue to receive attention in our program and resource planning along with the more recent legislation and also with that which seems to be on the horizon. My emphasis today, however, will be on recently-passed and pending legislation.

EXAMPLES OF RECENT LEGISLATIVE ACTIONS
INCREASING GAO WORKLOAD

There have been a number of significant legislative actions occurring since January 1, 1971, that have materially added to our workload. For example:

1. The Emergency Loan Guarantee Act requires GAO to make a detailed audit of the books and records of borrowers applying for loan guarantees under this Act. We have been auditing Lockheed Aircraft Corporation since last fall in this regard and also in compliance with laws requiring audit of payments for the C-5A aircraft procurements.
2. The Federal Election Campaign Act requires GAO with regard to presidential candidates to prescribe rules, regulations, reports, and accounting systems; arrange for publication of reports received; make compilations of data based on reports received; contract for independent studies of administration of elections; and make audits and investigations.

3. The Presidential Election Campaign Fund Act requires GAO to certify payments to which candidates for President and Vice President are entitled from the special fund established and, after each presidential election, to audit and report to the Congress on the campaign expenses incurred and any repayments required.
4. The Comprehensive Health Manpower Training Act requires that GAO conduct a major study of health facilities construction costs with the prime objective of identifying new approaches and construction techniques which will substantially reduce health facility construction costs.
5. Public Law 92-12 which established the Rural Telephone Bank provides for GAO audit and reporting to the Congress in accordance with the provisions of the Government Corporation Control Act.
6. The Emergency Employment Act of 1971 created a new major Federal program subject to GAO audit and review; the Act provides \$2.25 billion for public employment programs during 1972 and 1973.
7. The Occupational Safety and Health Act, effective April 1971, greatly expanded the Department of Labor's activities subject to GAO audit and review; about 57 million workers and 4.1 million business establishments are covered under the Act.
8. House Conference Report 92-664 on military construction appropriations for fiscal year 1972 recommended that GAO conduct a review of the efficiency of construction management and the equitableness of charges by construction agencies for supervision, inspection, and overhead, including comparisons with industry experience.
9. House Committee on Appropriations Report 92-666 provides for GAO to make a review of the specifications and the engineering study for the Army's Tactical Operations System--an automatic data processing system for providing military commanders strategic operations information which is estimated to cost about \$192 million.

EXAMPLES OF PENDING LEGISLATION
WHICH, IF ENACTED, WILL INCREASE GAO WORKLOAD

At December 31, 1971, there were many legislative bills in various stages of processing in the Congress which, if enacted, will have a marked impact on GAO workload. For example:

1. H.R. 11950 (November 30, 1971), a revenue sharing bill, assigns to the GAO extensive guidance, review, and audit functions relating to local government expenditure plans and accounting for payments received to insure that expenditures comply fully with the requirements of Title I; Title I provides for payments to local governments from a trust fund created out of receipts from Federal individual income tax collections (Intergovernmental Fiscal Coordination Act of 1971).
2. H.R. 30 (January 22, 1971) provides for the GAO, in cooperation with the executive branch, to develop and issue standards of auditing for the guidance of Federal agencies, State and local governments, and independent public accountants engaged in the audit of Federal assistance programs and to review the implementation of the standards and the Federal agency use made of the audits performed (Intergovernmental Cooperation Act of 1971).
3. H.R. 7248 (April 6, 1971) requires GAO to review, audit, and evaluate any Federal education program upon request of responsible congressional committees or committee members, especially with regard to agencies' practices for contracting for studies and services, and also creates new education programs subject to GAO audit. (The House Committee on Education and Labor Report stated that the additional workload would require a \$1 million increase in the GAO annual appropriation.)
4. H.R. 1369 (January 22, 1971) provides for GAO to make annual reports to the Congress on contracts for \$10,000 or more in which the price increased 10 percent or more over the estimate or which were completed more than 6 months after the estimated completion date.
5. H.R. 10429 (August 5, 1971) requires GAO to gather and compile annually for the members of Congress information with respect to the reprogramming of appropriated funds for purposes other than those originally intended.

6. H.R. 9998 (July 21, 1971) requires GAO to study and report on part-time employment in the executive branch and the feasibility of redesigning positions with a view to increasing the number of positions for older individuals at the subprofessional level and to make recommendations to the Congress.
7. S. 2782 (November 2, 1971) requires GAO to review the operations of nonappropriated funds and related activities of the executive branch, the systems of accounting and internal controls, and internal or independent audits made of the funds.
8. S. 2770 (October 28, 1971) and H.R. 11896 (November 19, 1971) require GAO to study and review research, pilot, and demonstration programs related to prevention and control of water pollution, including waste treatment and disposal techniques, of all Federal agencies. These bills would also require GAO to audit annually, in accordance with the Government Corporation Control Act, an Environmental Financing Authority, created to finance the non-Federal share of the cost of projects eligible for Federal assistance under the Federal Water Pollution Control Act.
9. S. 1113 (December 9, 1971) requires GAO to make Government-wide studies and reviews of programs related to the whole area of environmental quality--air pollution, water pollution, solid waste disposal, general pollution, and degradation of the environment.
10. S. 2986 (December 10, 1971) would replace the Federal Regulation of Lobbying Act. It would enlarge the lobbying activity disclosure requirements and require GAO to administer the provisions of the Act, including prescribing regulations and reporting requirements, and compiling and summarizing information for the Congress on the sources and amounts of funds and other resources used in influencing the legislative process through direct communication (Open Government Act).
11. S. 2652 (October 5, 1971) requires GAO to audit annually the financial transactions and activities of the District of Columbia and to render audit reports to the Congress, the Mayor, and the Council.

In addition to these examples of pending legislation directing specific audits and reviews by GAO, there are, of course, a number of bills that would create new or expand existing programs subject to GAO audit and review.

In preparing our manpower and appropriation requirements, we have considered the impact that legislative actions will have on GAO resources. We do not add staff for each requirement, but assess the impact of all on an overall basis.

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For overall Office planning and management of our staff resources, we classify our work into seven broad program categories. These are described in detail in our Justification of Estimates. I would like now to comment briefly on our work from the standpoint of these seven program perspectives. The first is:

DIRECT ASSISTANCE TO THE CONGRESS

The principal objective of GAO is to render maximum assistance to the Congress, its committees, and members, consistent with our responsibilities as an independent, nonpolitical agency. We view all of our work as being of assistance to the Congress in carrying out its legislative and oversight functions. We, therefore, direct our audit staff resources into work that will produce information on the results of Federal programs and agency operations that will be useful to the Congress and in areas which will fulfill the greatest apparent need and benefit to the Government.

We do, however, for planning purposes classify certain work as being of direct assistance to the Congress. This work includes:

- . Specific surveys, reviews, and studies directed by legislation.
- . Special surveys, audits, and reviews requested by congressional committees and individual congressmen, including recommendations for GAO studies contained in committee reports.

- . Testimony, including special preparation required, at hearings on GAO reports and other matters.
- . Work performed by GAO staff members assigned to congressional committees.
- . Tasks involved in advising and assisting committees and individual congressmen on legal, legislative, accounting, and auditing matters--especially with regard to legislation under consideration.
- . Accounting, auditing, and advisory services with regard to House and Senate financial and administrative operations, including audits of concessionaires and other activities.
- . Liaison activities with congressional committees and individual members provided by our Office of Legislative Liaison and members of our operating divisions.

The GAO staff resources applied to these activities have continually increased in the last 6 years. This upward trend reflects our efforts to improve GAO's services as an independent, nonpolitical, and reliable source of assistance to the Congress in carrying out its legislative and oversight responsibilities. This objective receives the constant attention of our top management.

During 1971, we applied a total of 668 man-years to activities involving direct assistance to the Congress, its committees, and members. This will increase to about 790 man-years in 1972 and we anticipate a further increase to about 885 man-years in 1973. This increase is anticipated in view of the growing interest of the committees and members in assuring that funds provided are used wisely and economically to carry out authorized Federal programs, especially in defense, foreign aid, education, manpower, pollution, health, income security, transportation, and housing programs.

While the 885 man-years for 1973 is our estimate of manpower needed for work we classify as direct assistance to the Congress, as I pointed out earlier, all of our self-initiated reviews of management efficiency and program results (2,237 man-years in 1973) have as their objective assistance to the Congress and its committees in performing their legislative and oversight responsibilities. The results of this work, as well as specific committee request work, are frequently used by appropriation and other committees.

To illustrate, I might quote here from the Senate Armed Services Committee Report 92-359, dated September 7, 1971, on H.R. 8687 authorizing appropriations for fiscal year 1972 for procurement of military aircraft, missiles, etc. Under a heading "Assistance from the General Accounting Office," the Committee stated:

"The committee has received valued assistance from the GAO in performing many of the evaluations of segments of weapons programs, procurement and management as well as other areas of special interest to the committee in preparing for the analysis of the budget presentation. This assistance is extended throughout the year and provides the committee with supplemental expertise in the matters of procurement and management especially related to contracting and cost."

During fiscal year 1971, we issued 277 reports to committees and members on specific requests for a wide variety of reviews and inquiries. For the first half of fiscal year 1972, we issued 138 such reports and, at December 31, 1971, we had on hand an additional 205 requests on which our staffs were performing required work.

The requests cover a wide range of activities; some require a great deal of staff time. For example, in response to a request dated July 28, 1971, from the Chairman, Subcommittee on Employment, Manpower,

and Poverty, Senate Committee on Labor and Public Welfare, we are conducting a review of the Department of Labor's implementation and administration of public employment programs under the Emergency Employment Act of 1971 (Public Law 92-54, July 12, 1971). The review, which we estimate will require about 45 man-years, covers the activities of 8 states, 9 counties, and 12 cities designated as program agents to carry out the emergency employment programs. We plan to provide the Chairman with a summary report early in 1973 for the Subcommittee's use in evaluating the effectiveness of the Act which is scheduled to expire on June 30, 1973.

Other examples of matters we have reviewed or are reviewing at the request of committees and individual members are:

1. The effectiveness of Federal-supported problem-oriented research activities, such as the National Science Foundation's RANN program, in Federal agencies, academic and non-profit institutions, industrial firms, and State and local governments.
2. The adequacy of the regulatory functions of the Division of Biologics Standards of the National Institutes of Health in relation to selected vaccines.
3. The manner in which Section 102 of the National Environmental Policy Act is being implemented especially with regard to the preparation and use of environmental impact statements.
4. The effectiveness of the development, installation, and operation of military tactical, logistics, and administrative computer systems. (This has been a continuing request since September 1969.)
5. The extent of alcoholism among civilian and military personnel and the need for rehabilitation programs.
6. The problems related to cost control and procurement at major private shipyards and such related matters as Government surveillance of shipbuilders, the shipbuilding market, etc.

7. The increasing costs of the Navy F-14 fighter aircraft program.
8. The causes and impact of the defects in the C-5A aircraft and the alleged unsatisfactory management practices at the Lockheed-Georgia Company.
9. The issues and areas in which the administration's proposed reorganization of the foreign aid and foreign military sales programs need further consideration by the Congress in formulating legislation.
10. The problems relating to refugees and other war-related issues applicable to Vietnam, Laos, and Cambodia.
11. The feasibility of measuring productivity in the Federal sector of the economy.
12. The adequacy of the accounting and reporting practices of dealers in Government securities who report to the Federal Reserve Bank of New York.

More details on these and other examples are included in Attachment A to my statement.

Our second program category is:

REVIEWS OF MANAGEMENT EFFICIENCY AND PROGRAM RESULTS

In planning this work, we give special emphasis to Federal programs and agency operations in which there is strong present or potential congressional interest and opportunities for improvement. To do this we maintain continuous contact with the committees and their staffs through briefing sessions and discussions of matters of mutual concern. Consequently, we coordinate and plan GAO-initiated work, as well as our direct assistance work, to assure that we cover significant and timely issues and our reports are as responsive as possible to the needs of the Congress.

Many of our reports to the Congress, resulting from GAO-initiated work, are used in committee hearings or other actions related to

Congress' legislative and oversight responsibilities. Committee interest in this work tends to strengthen our efforts to achieve improvements and economies because departments and agencies are aware of the possibility that committee action may result from information disclosed in GAO reports.

The 2,237 man-years which we plan to apply to our GAO-initiated reviews during fiscal year 1973 represent an increase of 123 man-years over the fiscal year 1972 program level of 2,114 man-years. At December 31, 1971, we had underway, in various stages, about 1,100 GAO-initiated reviews primarily of matters known to, or believed will, be of interest and use to the Congress and its committees.

Domestic Civilian Programs

We assume there will be continued growth in the number and size of domestic civilian programs and in the portion of the total Federal resources applied to them. Accordingly, we plan to increase our staff resources applied to their review in 1973.

In performing our reviews of domestic civilian programs, we are directing more of our efforts to providing the Congress and agencies with information on the progress made in achieving program objectives, on program deficiencies which impede operational success or increase program costs, and on possible alternative approaches to accomplishing the objectives intended by Congress.

An example of this is our report on "Problems in Accomplishing Objectives of the Work Incentive Program (WIN)" in the Departments of Labor and Health, Education, and Welfare, dated September 24, 1971. In that report, we recommended improvements which were within the

purview of the responsible Federal agencies and also recommended to the Congress specific changes in legislation which, we believe, would improve the design of the program. More details on this and other examples are included in Attachment A.

In performing our reviews of domestic civil programs, we are also broadening our scope, where appropriate, to include all related programs which cross agency lines. An example of this is our review of the impact of Federal programs to improve the living conditions of migrant and seasonal farmworkers. In this one, we reviewed programs directed to alleviating hardships confronting farmworkers administered by the Departments of Agriculture, HEW, and Labor, and the Office of Economic Opportunity. We are making recommendations to the agencies involved which will improve the management of Federal programs for migrant and seasonal farmworkers. Too, we believe the report will be useful to the Congress in its consideration of several legislative proposals for improving the living conditions of these workers.

Health programs continue to grow with outlays reaching over \$22 billion in 1972. Much of our work in the health area is directed to the medicare and medicaid programs. In one report, for example, we made recommendations to significantly reduce delays in the cost settlement process between intermediaries and hospitals under the medicare program and made additional recommendations to reduce costs between \$100 million and \$200 million annually through the elimination of a questionable cost apportionment method. HEW has taken action on these recommendations.

In our work we frequently review areas in which Government-wide management economies are possible. For example, we are nearing

completion of a Government-wide survey of insurance procured directly or indirectly by the Federal agencies. The purpose of the survey is to identify those types of risks now covered by insurance which might appropriately be self-insured by the Government. Although the Federal Government has traditionally followed a policy of self-insuring most of its risks, it nevertheless continues to spend many millions of dollars each year for the purchase of insurance, largely indirectly through contracts, leases, and grants. We plan to review in greater depth those types of risks which our survey identifies as appropriate for self-insurance and which appear to have potential for substantial savings to the Government through self-insurance.

As you know, strong congressional and public interest continues in the consumer protection, safety, and law enforcement programs. Accordingly, we plan to increase our reviews of applicable programs administered by HEW, EPA, Labor, Interior, Transportation, Agriculture, and Justice. Programs involving the conservation of national resources and the supply of the nation's energy needs will also receive increased attention in view of the concern expressed in the Congress.

Defense Programs

Based on anticipated continued high level of expenditures for defense and the special interest of the Congress in major weapon acquisitions as well as in defense costs generally, we plan a small increase in our level of effort for GAO-initiated work in the defense area in 1973.

As you know, shortly after the first of each year, we furnish the Congress with an overview report that includes information on

progress being made by DOD to improve the overall acquisition process as well as our evaluation of the performance of critical management functions within that process. Together with this overview report, again this year we will issue about 70 individual weapon systems staff reports on the results of our specific studies of these systems. These will include detailed information on production and delivery, cost, and performance.

We are continuing such reports because, in our discussions with members and staffs of the several committees interested in major weapon system acquisitions, we learned that both our overall report and individual system reports have been very useful to them in considering DOD proposals and overseeing DOD's operations. In our studies of the major weapons acquisition process, we are giving special attention to cost-estimating practices, use of cost-effectiveness studies, and effectiveness of testing practices. We will also report on the corrective actions taken on major problems identified in the most critical weapon system programs.

As in previous years, a substantial portion of our audit and review effort will be devoted to defense procurement and supply management operations in view of the continued need for improvement in these areas.

Defense procurement in 1971 amounted to about \$33 billion. We shall continue to seek opportunities for substantial economies in defense procurement in line with the congressional interest in achieving this objective. We also plan to continue our review of DOD's procurement policies and methods; contract pricing; contract administration; and extent of duplication of procurement among the services for the same or similar items.

We have furnished the Procurement Commission a number of our staff members to assist it in its Government-wide study of procurement policies and priorities and are supporting the study within GAO. We expect that additional follow-through work will be required after the studies are completed.

The need to maintain a substantial effort in the supply management area is evidenced by the fact that:

- The inventory of about 4 million different items in the defense inventory is worth about \$47 billion.
- The management of the 4 million inventory items is conducted by 22 major inventory control points and 62 wholesale depots.
- Substantial amounts are spent to maintain and modernize equipment in use by the services valued at billions of dollars.

In the defense research and development area, for which the level of appropriations is over \$7 billion, we are assessing the management effectiveness of basic research and exploratory development programs conducted by Government laboratories, universities, and contractors and also the engineering development of weapon systems and other major items prior to production. We plan to continue our work in all these areas in view of the disclosure of major deficiencies in the past. We plan to concentrate more on the development stage in research programs and on DOD's research information dissemination methods.

In the defense manpower area, we will give priority to the acquisition and retention of military personnel; the assignment and utilization of military personnel; the administration and control over military and civilian pay and allowances; education and training programs;

readiness of selected military forces; military retirement systems; and drug treatment programs for military personnel.

In the defense facilities and support services area, we will be reviewing contracting and acquisition methods, management and utilization of existing facilities, personnel housing operations, and Government-owned industrial facilities. The principal support services we plan to review are communications, automatic data processing systems, medical care, fuel distribution, and subsistence.

Our Annual Report to the Congress describes the results of specific GAO reviews of defense activities during fiscal year 1971. Since July 1, 1971, we have issued reports to the Congress on such matters as:

- Phasedown of U.S. military activities in Vietnam.
- Pricing of noncompetitive contracts subject to the Truth-in-Negotiations Act.
- Assignment of crew members to ships under construction.
- Activities and status of civil defense in the U.S.
- Fees allowed nonsponsored not-for-profit organizations by Government agencies.
- Savings available in inventory accounting activities.

International Programs

In planning our reviews of international programs and operations, we are making special efforts to identify matters of concern to the Congress and its committees in such areas as:

- International programs relating to U.S. defense activities overseas, including military grant and sales assistance programs.
- International trade, including the unfavorable balance-of-payments situation.

- Effectiveness of objectives and programs related to the total economic, military, and humanitarian assistance provided selected countries.
- U.S. participation in international organizations and institutions.
- International activities of the Treasury Department.
- Activities of the State Department and other agencies involved in international operations, including Agriculture, Commerce, HEW, Interior, USIA, and the Export-Import Bank.

During the past several years, we have placed added emphasis on reviews of programs and activities related to expansion of our international trade. We recently completed a review, for example, of the Trade Opportunities Program of the Department of Commerce. In our report, we pointed out several ways in which we believe greater benefits could be derived from this program in terms of increasing U.S. exports.

Transportation and Traffic Management Programs

As we have gained experience and have assembled professional staffs trained in transportation and traffic management, we have improved the effectiveness of our work in this area and have increased our assistance to interested committees. Currently, we are completing reviews of:

- Worldwide transportation of ammunition.
- Transportation of petroleum fuels via pipeline to Air Force bases.
- Ways to improve the use of cargo space of ammunition ships, and
- Consideration given to transportation costs in selecting GSA depot service areas.

In our survey of the U.S. Postal Service transportation system, we identified many areas in which substantial savings could be achieved.

These are identified in Attachment A.

Government-wide Automatic Data Processing Studies

We plan to continue to direct substantial effort to Government-wide reviews of automatic data processing activities. We have found it to be an area in which significant improvements and economies can be effected.

We recently issued a report to the Congress on ways ADP software acquisition and management can be strengthened in the executive agencies. We also issued a report to the Congress which, we believe, will promote a better foundation from which the auditing community in the Government agencies can build toward more effective and efficient audits of computer-based systems.

Special Studies

We have found important benefits from the use of the skills of systems analysis, statistical sampling, and actuarial experts on our staff. In addition to the preparation of reports to the Congress on special studies, these staff members also serve as consultants and conduct training for members of the professional staff and conduct research to keep abreast of the state-of-the-art. This training spreads the use of advanced methods throughout the Office as soon as they are found to be useful in our work.

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In summarizing my comments on GAO-initiated work, I would again emphasize that the reports issued to the Congress on this work constitute one of the most important means of assisting the Congress in its legislative and oversight functions. The information contained in the reports is intended to give the Congress, as well as the agency heads, an appraisal

of Federal programs and operations. They, of course, also include recommended improvements, including recommendations for needed legislation.

As a by-product of these reviews, many significant financial benefits are achieved. For example, of the total of about \$268 million of GAO collections and other measurable savings in fiscal year 1971, about \$250 million was attributable to GAO-initiated reviews. In addition, many significant financial benefits to the Government resulting from our work are not fully or readily measurable in financial terms.

The third program category is:

EXAMINATION OF AGENCIES' FINANCIAL STATEMENTS,
ACCOUNTING SYSTEMS, AND ACCOUNTABLE OFFICERS' ACCOUNTS

This work is required by various statutes and includes:

- . Centralized audit of transportation payments.
- . Annual audits required of Government corporations and other governmental activities.
- . Reviews of accounting systems in operation.
- . Centralized voucher audits at military finance centers, including account settlement.
- . Audit and settlement of accounts of accountable officers in civil departments and agencies, and
- . Audits of civilian pay and allowances.

To effectively carry out these activities in fiscal year 1973, we estimate we will need 965 average positions compared to 962 in 1972.

We are continuing to shift our emphasis within this program area. For example, we plan to reduce the staff resources applied to the centralized audit of transportation payments in light of expected decreases

in the volume of transportation bills applicable to shipments to Vietnam and Southeast Asia. On the other hand, we plan a small increase in our reviews of agency accounting systems in operation to insure that these systems meet the standards set by our Office.

The Transportation Act of 1940 requires the GAO to postaudit all billings for transportation under standard Government transportation forms. This activity, performed centrally in Washington by our Transportation Division, will require 581 man-years in 1973 compared to 590 man-years in 1972, a reduction of 9 man-years.

We are currently considering alternative approaches to transferring the responsibility for detailed audit of billings for transportation to the departments and agencies. This is an area in which a centralized audit of financial documents has been retained in GAO. Legislation may eventually be required to make this transfer of responsibility. However, we have considerable latitude under existing legislation to determine the extent of postaudit by GAO, providing agency systems contain adequate controls over the accuracy of the transportation payments.

Our approach to achieving the transfer objective is to pursue further the automation of our audit and to build on and make our audit systems compatible with agency management and fiscal systems. This will facilitate the transfer of the basic audit responsibility to the agencies. The transfer of the audit responsibility will not diminish our management and program reviews of transportation and traffic management operations. As part of these reviews, we would periodically evaluate the adequacy of the agencies' audit

systems for checking the accuracy of the payments for transportation billings. If, and when, our objectives are accomplished, it will reduce considerably our staffing needed for this function.

Audits of Government Corporations

The Government Corporation Control Act and other specific statutes require annual audits of financial statements in accordance with generally accepted auditing standards and procedures. Several new Government corporations and funds subject to GAO audit have been created in the last few years. Additional staff resources have been assigned to the annual examination of these activities as their operations are started as well as to existing ones that have expanded.

We are still trying to obtain legislation which would provide for this type of audit once every 3 years in lieu of an annual examination. We believe this approach would meet basic objectives for the Congress and provide us more flexibility in the use of our professional staff for performing higher priority work.

The fourth program category is:

LEGAL SERVICES AND DECISIONS

The legal work of the Office extends to virtually the full range of the Government's receipt and expenditure activity.

Many legal questions arise as a result of our audits and reviews of agency operations. Heads of departments and agencies as well as disbursing and certifying officers have a statutory right to submit for advance decision any question on the legality or propriety of proposed expenditures of Federal funds. Contracting and procurement

officers may also obtain decisions on questions arising in connection with proposed awards of Government contracts. Also, individuals and firms whose claims have been disallowed by actions of our Claims and Transportation Divisions and bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied may apply for decision. Under the law, decisions of the Comptroller General in these matters are final and conclusive upon the executive branch of the Government and payments made contrary to our decisions are subject to disallowance. Private concerns and individuals who may be adversely affected have further recourse to the courts in most cases.

The legal work includes the preparation of decisions concerning the legality and propriety of the receipt and expenditure of public funds; the preparation of advisory opinions and reports on proposed and pending legislation to members of Congress and congressional committees, and to the Office of Management and Budget; and the formulation and presentation of legislative recommendations to the Congress.

As you know, the Comptroller General has responsibility for determining the legality of expenditure of appropriated funds. This decision function, involving the interpretation and application of Federal statutes and regulations, has produced a large body of decisions over the years which serve as guidelines applicable to receipt and appropriated fund expenditure transactions of the Government.

Of the 235 man-years we estimate will be needed to carry out the legal activities of the Office in 1973, 195 will be in our General Counsel's office and 40 in our Transportation Division. Our attorneys

and Transportation Division personnel provide legal and technical assistance to the Department of Justice in the prosecution and defense of transportation suits by and against the United States as well as in cases before the Court of Claims.

Consideration of the factors affecting our work leads us to conclude that we will experience a continuing heavy workload. With respect to general Government matters, we have found that legislation and congressional considerations in the current climate of concern with the complex problems facing our Nation continue to generate an increasing number of matters being placed before the Office for legal resolution. The same is true with respect to Government procurement where we have found it necessary to initiate procedures under which our handling and disposition of bid protest cases may proceed more expeditiously in order to maximize the benefits deriving from the availability of the GAO as a forum in such instances. The speedier resolution of such cases called for under the new procedures will place additional demands on our legal staff.

The contract area continues to constitute the largest individual category of our legal decision work. Under the new legal concept established by the Scanwell case, Court of Appeals, D.C., February 13, 1970, giving aggrieved bidders for Federal contracts a right to seek judicial redress, a number of court actions have been brought in which we have participated. Two subsequent decisions of the local Court of Appeals on October 14, 1971, Wheelabrator and Steinthal, have placed increased emphasis on our role in such matters. These decisions and

the work of the Commission on Government Procurement (created by Public Law 91-129 with the Comptroller General as a statutory member) will significantly affect the Government procurement process and have already had an impact on the work of our Office. One of our lawyers is assigned full time and two are working part time for the Procurement Commission. In addition, the Office expects to devote considerable staff effort in the analysis of Procurement Commission studies.

As the range of our activities expands with respect to broader scaled reviews of Government programs, the internal demands upon the legal staff for assistance in connection with those reviews continue to grow.

We are asking for 7 additional staff positions over our 1972 level primarily to meet the increased workload of our legal staff due to the growing complexity of our audit work and to handle an increased volume of bid protests.

The fifth program category is:

FINANCIAL MANAGEMENT IMPROVEMENT

In recent years, we have devoted considerable effort in assisting the Federal agencies in their efforts to improve their accounting systems to the point where they can be approved by our Office, as required by the Accounting and Auditing Act of 1950. In 1966, about a third of the 150 systems of civil departments and agencies and only the Corps of Engineers (civil functions) in the Defense Department had been approved. By December 31, 1971, the number of system approvals in civil departments and agencies had increased to approximately 50 percent

even though the number of those subject to approval had increased to 160. In addition, for the Department of Defense, we have approved 27 statements of accounting principles and standards, as well as 3 systems designs and 3 segments.

We are continuing to assist agencies in developing effective systems for producing reliable financial and program information and to achieve the goal of having all systems approved as required by the 1950 Act. We estimate that we will require 133 man-years to carry out these activities in 1973, the same as for 1972.

The sixth program category is:

CLAIMS SETTLEMENT AND DEBT COLLECTION

The Budget and Accounting Act of 1921 places final responsibility for settling most claims for and against the Government in the General Accounting Office. The passage of the Federal Claims Collection Act of 1966 increased the authority of the departments and agencies to compromise and terminate debts of the United States when the debtor's financial condition indicates that collection of the full amount of the debt would be improbable. Yet, despite this broad grant of authority to administrative agencies, more and more debt claims are being referred to our Claims Division for further collection action.

We expect that this trend will continue with receipts remaining at a high level for an indefinite period. In order to alleviate this problem, we plan to pursue two avenues of action. First, to intensify our reviews of agency claims settlement and debt-collection

activities with the objective of improving agency operations; and, secondly, to streamline our organizational structure and our debt collection and claims settlement procedures to enable the processing of greater numbers of claims with fewer personnel. We plan to utilize 141 man-years in 1973 in our claims activities.

The seventh program category is:

EXECUTIVE DIRECTION AND MANAGEMENT SERVICES

This program category includes:

- . Direction and control of the operations of the General Accounting Office by the Office of the Comptroller General.
- . The functions of the Office of Policy and Program Planning involving policy formulation, long-range planning, budget formulation, internal review, and preparation of Office publications.
- . General administrative services, accounting, and records management.
- . Personnel management, recruiting, and training.
- . Computer services and system development.
- . Organization and management analysis studies and services.

These activities, which require 411 man-years in 1973 compared with 395 in 1972, are necessary for effective management and administration of the Office in support of the operating divisions.

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OFFICE OF FEDERAL ELECTIONS

I would like now to discuss our resource needs to carry out the activities assigned to GAO by the two election campaign acts.

The Federal Election Campaign Act becomes effective on April 7. It requires us to prescribe overall regulations for implementation of Title I covering charges for communications media, limitations on the use of communications media by candidates for Federal elective office, and related matters. In addition, Title III of the Act, covering disclosure of Federal campaign funds, requires GAO, with regard to presidential candidates, to:

1. Prescribe regulations, reporting forms, and an accounting manual for guidance of candidates and political committees in filing organization statements and in recording, accumulating, and reporting their contributions and expenditures applicable to general and primary elections.
2. Receive, file, code, cross index, make available to the public, and maintain for 10 years reports required to be filed under the Act.
3. Compile and furnish to the Public Printer an annual report on each political committee filing a report(s) each year.
4. Publish annually a report, including specified compilations of contribution and expenditure data based on the reports received, certain special reports from time to time, and assure wide dissemination of them. This will require the use of computers to process the large volume of data.
5. Make audits and investigations from time to time of reports and statements filed and on alleged failures to file.
6. Investigate complaints and other indications of problems and refer to Attorney General cases, as appropriate, for his action.
7. Encourage and cooperate with State election officials to develop uniform reporting procedures.
8. Serve as a national clearinghouse for information on the administration of elections, including the award of contracts for special studies.

The Secretary of the Senate and Clerk of the House have similar responsibilities for senators and representatives, respectively.

To carry out these functions, we are establishing an Office of Federal Elections which will ultimately be staffed with about 35 people. As I mentioned earlier, we are using our 1972 savings of about \$1,040,000 to meet the costs of establishing and operating the Office this year. We estimate that we will need \$1,600,000 for the operation of this Office for fiscal year 1973.

The Presidential Campaign Fund Act requires GAO to certify payments to the candidates from the fund established by the Act. After each presidential election, we are required to audit candidates' reports of campaign expenses, to submit a report to the Congress, and to seek recovery of repayments required because of determinations that candidates received payments to which they were not entitled.

We believe we will be able to expand the Office of Federal Elections to assume our responsibilities under the Presidential Campaign Fund Act which was enacted last year but will not become effective until 1973.

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Mr. Chairman, I have covered briefly the highlights of GAO programs and operations and our overall staff needs to support them. We are continually reviewing and analyzing our operations to seek ways to improve effectiveness and productivity in GAO. However, in light of the increasing workload emanating primarily from legislation, growth in numbers and size of requests from committees and members, and the

creation and expansion of Federal programs, we believe our 1973 budget estimate of \$97 million is a realistic one.

This concludes my statement. My associates and I will be happy to answer any questions you may have.