

OVERSIGHT OF THE GENERAL ACCOUNTING OFFICE

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT
REFORM AND OVERSIGHT
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

APRIL 30, 1996

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OVERSIGHT OF THE GENERAL ACCOUNTING OFFICE

TUESDAY, APRIL 30, 1996

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:30 p.m., in room 311, Cannon House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Clinger [ex officio], Maloney, and Spratt.

Staff present: J. Russell George, staff director and counsel; Anna Miller and Jeff Wilmont, professional staff members; Kevin Sabo, general counsel; Andrew Richardson, clerk; David McMillen, Mark Stevenson, and Liza Mientus, minority professional staff members; and Miles Romney, minority counsel.

Mr. CLINGER. The Subcommittee on Government Management, Information, and Technology will come to order. I'm calling the subcommittee to order and filling in for Chairman Horn, who I am told will be here very shortly. But I think in view of that, we don't want to keep our witnesses waiting longer than necessary. So, I thought we would convene the hearing and get right to it. I do have a brief opening statement. I'm sure Mrs. Maloney does also. We will start those, and I will give way to Chairman Horn when he arrives.

Throughout my some now almost 18 years in Congress, I believe I've recognized the very important role that the General Accounting Office plays in the policymaking process of the Congress. During my years on this particular committee, formerly Government Operations and now Government Reform and Oversight Committee, we have seen a lot of reforms in the manner in which the Federal Government manages itself.

Many of these reforms, such as the Chief Financial Officers Act, were born through recommendations initially made by the General Accounting Office. They deserve to remain a strong and vital player in Washington. And this hearing, I would hope and believe will ensure that they remain a strong, independent advocate of sound management of public programming.

In many ways, GAO is in fact at a crossroads. It's staffing level has dropped, has been required to be dropped from nearly 5,400 in

1987 down to a projected 3,500 by the end of this fiscal year. It's budget has also been severely dropped, from \$447 million in 1995 to about \$375 million in fiscal year 1997, a reduction of just about one-third.

The current Comptroller General, my good friend, Chuck Bowsher, is set to retire this fall, as am I. Finally, the takeover of Congress by the Republican Party has left many people questioning the future role and mission of GAO. The coming year will be critical, I think, for GAO as it manages the reduction in personnel and budget levels and prepare to accept the leadership of a new Comptroller General. As a result, this hearing could not be more timely.

My colleague, Congressman Steve LaTourette, has drafted legislation which is designed to help GAO meet the challenges of the future. And I support his effort in this regard and his commitment to see his bill move to the House floor this year, if possible. And I hope that that will be the case.

Among the objectives of his bill which I support the most include the proposal to reduce the term of the Comptroller General to 10 years; allow the Comptroller General to appoint his own Deputy; creating an Inspector General of GAO eliminates over 100 congressionally mandated reporting requirements; and transferring numerous executive functions from GAO back to the executive branch.

These are good ideas, which I support and I look forward to having an opportunity to consider them further in the near future.

Finally, I want to thank those witnesses who are joining us here today: Mr. John Koskinen, the current Deputy Director of OMB for management. We're always delighted to have you, Mr. Koskinen, with us. Your testimony is always helpful and very to the point. And I think you will help us better understand the relationship of GAO to the departments and agencies.

The panel of experts following him will help recommend what areas of GAO should be reformed. And, of course, we're delighted to have Comptroller General Bowsher, who joins us again to talk about his tenure at the helm of GAO and his suggestions, thoughts for the future.

I, unfortunately, have some responsibilities on the House floor today and will, unfortunately, have to be in and out of this hearing. But let me assure our witnesses that this is an issue in which I take a great deal of interest. And I will be reviewing all of the testimony closely and considering it when the committee acts on Mr. LaTourette's legislation. So I thank you all for your appearance here and look forward to either hearing or reading the testimony that we're going to have. And I apologize, Mr. Chairman, for having to take my departure. And I apologize for jumping the gun on you here.

[The prepared statement of Hon. William F. Clinger, Jr. follows:]

STATEMENT OF THE HONORABLE WILLIAM F. CLINGER
Chairman, Committee on Government Reform and Oversight
April 30, 1996

Chairman Horn, thank you for calling this important hearing to oversee the activities of the General Accounting Office. Throughout my numerous years in Congress, I have recognized the important role that the General Accounting Office plays in the policy making process of the Congress. During my years on this Committee, we have seen numerous reforms in the manner in which the Federal government manages itself. Many of these reforms, like the Chief Financial Officers Act, were born through recommendations initially made by GAO. They deserve to remain a strong and vital player in Washington and this hearing will help ensure that they remain a strong advocate of sound management of public programs.

In many ways, GAO is at a cross roads. Their staffing level has dropped from nearly 54 hundred in 1987 down to a projected 35 hundred by the end of this fiscal year. Their budget has dropped from \$447 million in 1995 to about \$375 million in Fiscal Year 1997 -- a reduction of almost one third. The current Comptroller General, my friend Chuck Bowsher, is set to retire this fall. And, finally, the takeover of Congress by the Republican Party have left many people questioning the future role and mission of GAO. The coming year will be critical for GAO as they manage the reduction in personnel and budget levels and prepare to accept the leadership of a new Comptroller General. As a result, this hearing could not be more timely.

My colleague, Congressman Steve LaTourette, has drafted legislation which is designed to help GAO meet the challenges of the future. I support his effort and

commitment to see his bill move to the House Floor this year. Among the objectives of his bill, which I support the most, include the proposal to reduce the term of the Comptroller General to ten years, allow the CG to appoint his own deputy, creating an inspector general at GAO, eliminates over 100 congressionally mandated reporting requirements, and transferring numerous executive functions from GAO back to the Executive Branch. These are good ideas which I strongly support and look forward to voting on in the near future.

Finally, I want to thank those witnesses which are joining us today. Mr. John Koskinen, the current Deputy Director of OMB for Management, will help us better understand the relationship of GAO to the departments and agencies, a panel of experts will help recommend what areas of GAO should be reformed, and, of course, Comptroller General Bowsler, joins us again to talk about his tenure at the helm of GAO. I have some responsibilities on the House floor today and will be in and out of this hearing, but let me assure our witnesses that I will be reviewing their testimony closely and consider it when the Committee proceeds with Mr. LaTourette's legislation.

Mr. HORN. Listen, I apologize for being late. And I'm glad you jumped the gun, because I asked Russell to get this hearing started. I'm conscious of John's time, and the whole Federal management is collapsing as you're up here, John.

Did we swear in the witness?

Mr. CLINGER. We have not sworn the witness. We've given an opening statement. But I haven't said anything, so it's all right. Would you like to have an opening statement?

Mrs. MALONEY. Yes, I do, Mr. Chairman. Thank you. For 75 years, GAO has been Congress' and our Nation's primary watchdog agency, responsible for providing credible, objective, and non-partisan reports and evaluations of the programs and management of the executive branch. In my view, the GAO has provided a credible source of information and analysis in a timely and professional manner, despite recent staff and funding reductions. I find it hard to imagine how Congress could operate without the GAO. Certainly our job would be far more difficult. Personally, I found the reports and testimony of GAO officials to be invaluable. And I would like to take this opportunity to commend Comptroller General Bowsher for his diligence and hard work.

In light of this assessment, I am somewhat puzzled by the dual focus of today's hearing, oversight and legislation. Certainly, Congress has a responsibility to provide adequate oversight of the GAO. GAO is the largest of the congressional support agencies. And I welcome that aspect of this hearing.

I am less pleased with the draft legislation we have before us. My fundamental question regarding this draft legislation is what problem it is meant to fix. To date, we have held no oversight suggesting serious deficiencies of the GAO. Perhaps that is the intended purpose of this hearing. If so, then by considering legislation, as well, we seem to put the cart before the horse.

I am also very troubled by some of the provisions of the draft bill I have seen which appear to diminish the independence and strength of the Comptroller General and the GAO. GAO currently operates on a permanent authorization, section 107 of the draft changes that authorization to a 5-year cycle, leaving the GAO subject to far greater political pressures.

Other provisions, which may undermine that independence or the creation of an oversight board to monitor the agency, the reduction of the Controller's term from 15 to 10 years, and the reduction of his pension which would make it more difficult to attract highly qualified candidates. I'm also concerned with the expansion of GAO's authority to take sworn testimony.

In addition to being a remarkable departure from congressional practice and probably unnecessary, it could further undermine GAO's effectiveness by turning it into a quasi-police force. These changes are particularly ill-advised at this time as they could complicate the appointment of a new Comptroller General this September.

Other provisions in this draft legislation seem to make more sense. Elimination of congressional reporting requirements is something that we always need to be alert for, congressionally mandated reports seem to have a way of multiplying very rapidly and consume a large amount of time and money.

Likewise, establishing an Inspector General for the GAO is something we need to look at more closely. However, in general, I'm very skeptical of this legislation. The integrity, independence, and quality of the GAO are well established. We must be extremely careful not to do anything which might damage that practice and reputation, and especially anything that might in any way undermine the independence of the GAO.

Thank you very much.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

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HON. CAROLYN B. MALONEY -- OPENING STATEMENT
HEARING ON "OVERSIGHT OF THE GENERAL ACCOUNTING OFFICE"

April 30, 1996

Thank you Mr. Chairman. The General Accounting Office (GAO) was created by the Budget and Accounting Act of 1921 and operates under the direction of the Comptroller General. It is Congress' and our nation's primary watchdog agency -- responsible for providing credible, objective, and non-partisan reports and evaluations of the programs and management of the executive branch.

In my view, the GAO has done an excellent job in fulfilling this mandate in a timely and professional manner, despite recent staff and funding reductions. I find it hard to imagine how Congress could operate without the GAO; certainly our job would be immensely more difficult. Personally, I have found the reports and testimony of GAO officials to be invaluable and I would like to take this opportunity to commend Comptroller General Bowsher for his diligence and hard work.

In light of this assessment, I am somewhat puzzled by the dual focus of today's hearing -- oversight and legislation. Certainly, Congress has a responsibility to provide adequate oversight of the GAO. GAO is the largest of the Congressional support agencies and I welcome that aspect of this hearing. I am less pleased with the draft legislation we have before us. My fundamental question regarding this draft legislation is "what problems it is meant to fix?" To date, we have held no oversight hearings suggesting serious deficiencies at the GAO -- perhaps that is the intended purpose of this hearing. If so, then by considering legislation as well we seem to have put the cart before the horse.

I am also troubled by some of the provisions of the draft bill I have seen which appear to diminish the independence of the Comptroller General and the GAO. GAO currently operates on a permanent authorization. Section 107 of the draft changes that authorization to a five year cycle, leaving the GAO subject to greater political pressures. Other provisions which may undermine that independence are the creation of an oversight board to monitor the agency, the reduction of the Comptroller's term from 15 to 10 years, and the reduction of his pension, which would make it more difficult to attract highly qualified candidates.

I am also concerned with the expansion of GAO's authority to take sworn testimony. In addition to being a remarkable departure from Congressional practice and probably unnecessary, it could further undermine GAO's effectiveness by turning it into a quasi-police force. These changes are particularly ill-advised at this time, as they could complicate the appointment of a new Comptroller General this September.

Other provisions in this draft legislation seem to make more sense. Elimination of Congressional reporting requirements is something that we always need to be alert for. Congressionally mandated reports seem to have a way of multiplying very rapidly and consume a large amount of staff time and money. Likewise, establishing an Inspector General for the GAO is something we need to look at more closely.

However, in general I am very skeptical of this legislation. The integrity, independence and quality of the GAO are well-established. We must be extremely careful not to do anything which might damage that practice and reputation. Thank you Mr. Chairman.

Mr. SPRATT. Mr. Chairman, could I have 60 seconds, please?

Mr. HORN. Definitely. Please make your opening statement.

Mr. SPRATT. Mr. Chairman, there's an old adage, if it ain't broke, don't fix it. And I hope that this hearing will proceed conscious of the wisdom in that old saying.

I have not read Chuck Bowsher's testimony, but I don't need to. He will come to the witness stand and be his own best witness for the testimony that he's about to deliver. What's needed in the General Accounting Office and what's needed in the Comptroller General is dogged independence, and the longer term serves that, and long run perspective, which is sorely needing in a Government where we have so much turnover at the cabinet and subcabinet level, persistence, because nothing is done in this Government if you're not persistent—and I mean persistent, leaning into the problem for years on end, as he has done for the last 14 years—and, finally, institutional memory. You have to have a knowledge, working knowledge that you acquire only from experience of what works and what doesn't work in order to succeed at this job.

We will only, in my opinion, diminish the effectiveness of the whole agency and of its director if we shorten his term and if we, for some foolish reason, decide that he's not entitled to the same pension that a Federal judge is entitled to after serving 15 years.

So the question I think we should lay upon it before us at the outset is, what's the necessity of this bill? Why do we need to change something that is working well for us already?

Thank you, Mr. Chairman.

Mr. HORN. Thank you very much. Let me—since we're into opening statements, John, I might as well read mine and get the balance I want here.

For 75 years, the General Accounting Office has had an important role in helping Congress fulfill its constitutional obligation to account for the use of Federal expenditures. Established in 1921 with the primary mission of auditing and investigating the use of Federal disbursements, GAO's responsibilities have since expanded, but its primary role has remained.

Through its investigations and studies, GAO has helped improve the financial management of the Federal Government. It has helped to bring accountability to Government performance and root out waste, fraud, and abuse in Government programs.

Recently, several concerns have been voiced about GAO's operations. One criticism is the amount of time it takes to get reports and the sanitizing that might take place during the numerous levels of review that are dictated by GAO's internal policy. Some have claimed that it has been unduly partisan in its policy recommendations. Others have questioned its independence and objectivity.

One important issue we will review today is how the GAO should prioritize the various functions it performs. What staff resources should it commit to meet congressional demands in a very timely manner? What balance should be struck between financial audits, program reviews and general management studies? Should there be greater attention given to economy and efficiency audits than to program evaluations? Should GAO be concentrating on only policy analysis and not include policy recommendations?

We hope that the witnesses today will provide some answers to these questions. Our review of GAO's role will include the consideration of draft legislation proposed by Representative LaTourette of Ohio, who is a member of the Committee on Government Reform and Oversight.

That proposal would institute structural reforms in the authorizing statute of the General Accounting Office. And I might add that proposal is absolutely incidental and separate from this hearing. This hearing would have been held whether there was legislation or not, since my main interest is having the reflections of the Comptroller General over his 15 years of service to the Nation as he's about to leave office.

And as I've told the Comptroller General privately, I said, I'm as interested in your reflection looking back as your reflection looking forward.

The GAO's role as congressional watchdog is extremely important. Our oversight review of it today is a most necessary endeavor to ensure that GAO can continue to fulfill its responsibilities to monitor the expenditure of Federal funds. We're pleased to have as our first witness this morning the Deputy Director for Management at the Office of Management and Budget, Mr. John Koskinen.

We will next receive testimony from representatives of the National Academy of Public Administration and the Private Sector Council, Neil Tierney, a professor at George Washington University, formerly with Ernst and Young, who serves on the Federal Accounting Standards Advisory Board, and will give us his views on how GAO has evolved.

Finally, we will hear from the Honorable Charles Bowsher, the Comptroller General of the United States. He has rendered distinguished service for a decade and a half. This is the occasion for him to look ahead, as well as backward, as I noted earlier, to advise us on the direction the next Comptroller General in the General Accounting Office might go to meet the challenges he meets of Government in the 21st century.

At this point, I'm going to put in the record Mr. LaTourette's statement. He's tied up with another committee.

And now, John, please proceed. Sorry for the delay.

[The prepared statements of Hon. Stephen Horn and Hon. Steven C. LaTourette follow:]

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Opening Statement of
The Honorable Stephen Horn, Chairman
Subcommittee on Government Management,
Information and Technology
April 30, 1996

A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order. For 75 years the General Accounting Office has had an important role in helping Congress fulfill its constitutional obligation to account for the use of Federal expenditures. Established in 1921 with the primary mission of auditing and investigating the use of Federal disbursements, GAO's responsibilities have since expanded, but its primary role has remained.

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The GAO's role as a Congressional watchdog is extremely important. Our oversight review of it today is a most necessary endeavor to ensure that the GAO can continue to fulfill its responsibilities to monitor the expenditure of Federal funds.

We are pleased to have as our first witness this morning the Deputy Director for Management at the Office of Management and Budget, Mr. John Koskinen. We will next receive testimony from representatives of the National Academy of Public Administration and the Private Sector Council. Neil Tierney, a professor at George Washington University, formerly with Ernst & Young, who serves on the Federal Accounting Standards Advisory Board, will give us his views on how GAO has evolved. Finally we will hear from the Honorable Charles Bowsher, the Comptroller General of the United States. He has rendered distinguished service for 15 years. This is the occasion for him to look ahead as well as backward to advise us on the direction the next Comptroller General and the General Accounting Office might go to meet the changing needs of government in the 21st Century.

We thank you all for joining us. We look forward to your testimony.

Statement of Congressman Steven C. LaTourette

April 30, 1996

Before the Subcommittee on Government Management, Information and
Technology

I am pleased to be here today as part of this important oversight hearing of the General Accounting Office (GAO) and want to thank Chairman Horn for inviting me to sit on this panel.

Since its creation in 1921, the GAO has served the Nation with the highest degree of professionalism in acting as the investigative and auditing arm of Congress. GAO is the largest of the three congressional support agencies and therefore the most widely used by Congress. In the wake of government downsizing, GAO has reduced its workforce yet it has still been able to produce high quality materials and meet the needs of Committees and individual members and I applaud its efforts.

I am in the final stages of drafting a bill, which I plan to offer soon, that will accomplish many things the Government Reform and Oversight Committee has found to be good government provisions.

The bill will consist of three titles. Title One will change the face of GAO and allow it to more effectively carry out its duties. Title Two will eliminate more than 100 congressionally mandated reporting requirements and other GAO publishing responsibilities. Finally, Title Three will transfer certain functions which no longer belong under the purview of GAO back to the Executive Branch.

There are currently drafts of this bill out for review that contain provisions requiring GAO to publish costs associated with its special projects, and one which requires Congress to reimburse GAO for costs associated with detailees. These provisions are no longer in the current draft of this legislation although there is a new provision which I would

like to briefly outline, along with the rest of the provisions of this bill.

TITLE ONE:

Title One of the bill contains five (5) sections.

The first section, which is the new section, creates a General Accounting Office Oversight Board to monitor the activities of the Comptroller General and GAO staff. This board is designed very much like the former oversight board for the now disbanded Office of Technology Assessment (OTA). Like the OTA board, the GAO board will meet only when necessary and there will be no permanent staff assigned to the board. The board will have the same members that currently are tasked with selecting names as candidates for the Comptroller General position, including the bipartisan leadership of the House and Senate and the chairmen and ranking minority members of the Government Reform and Oversight Committee of the House and Governmental Affairs Committee of the Senate.

The second section reduces the term of the Comptroller General from 15 years to 10 years. This section also allows the CG to appoint his own deputy, following consultation with the bipartisan congressional leadership. I feel allowing the CG to choose his own deputy will serve to create a strong congruency between these two individuals.

The third section provides the CG with a pension equivalent to that of one half of a serving CG's rate of pay after 10 years of service. Current law provides an annuity of full salary for life after 15 years of service. This section brings the CG's pension more in line with Members of Congress and I felt it was important in this age of Federal Government fiscal responsibility.

The fourth section authorizes the GAO to take sworn testimony as necessary to carry out the duties and powers of the Comptroller General.

Currently GAO can only take sworn testimony when conducting financial audits and I feel that this limits the ability of GAO especially in the investigative section of their work.

The fifth section establishes a statutory office of Inspector General (IG) within GAO. This portion of the legislation only redesignates the current administrative units conducting internal audits and investigations and is a simple good government provision.

TITLE TWO:

Title two of the bill eliminates more than 100 reporting requirements imposed by Congress on GAO. Some of these provisions have not been asked for in years. In preparing this list, a copy was sent to all Full Committee Chairs and Ranking Members for comment and revisions so that we would not eliminate anything on which a Member or Committee is currently working.

TITLE THREE:

The final title transfers certain functions from GAO to the Office of Management and Budget (OMB). These functions would be better served if placed under OMB or another Executive Branch department or agency. The Government Reform and Oversight Committee has been in contact with OMB and we have told them that we would be pleased to transfer these functions directly to the agency or department which OMB feels should be handling these functions.

Again, I want to thank Chairman Horn for inviting me today and also thank our witnesses. I look forward to hearing from them.

**STATEMENT OF HON. JOHN A. KOSKINEN, DEPUTY DIRECTOR
FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET**

Mr. KOSKINEN. Thank you, Mr. Chairman and members of the subcommittee. It's always a pleasure to appear before this subcommittee. And I appreciate the opportunity to participate in your oversight hearing on the General Accounting Office and to share our views on Chairman Clinger's and Representative LaTourette's draft legislation entitled the General Accounting Office Management Reform Act of 1996.

With your approval, Mr. Chairman, I will submit my full statement for the record and summarize here orally.

Mr. HORN. Without objection, it will be included in the record at this point.

Mr. KOSKINEN. Let me begin by acknowledging the critical and influential role that GAO plays in Federal management. I have had the opportunity to work closely with GAO over the past 22 months and have developed great respect for the professionalism shown by the Comptroller General and his staff. GAO is an important institution, advising not only the Congress, but also the executive branch as we seek to improve the management of the Federal Government.

While we in the executive branch need to respect the importance of GAO's independence, we also need to develop a working relationship that allows us to maximize the benefits of their insights and expertise. Under Mr. Bowsher's leadership, I think we have done that, certainly in the past few years. Let me give you a few examples of what I mean.

In the area of information technology development, acquisition design management, we have benefited greatly from the positive working relationship that exists between GAO and the executive branch. When I first arrived at OMB, it was clear that the Government had many troubled information technology systems. But it was also clear that several initiatives were underway to improve the situation. The National Performance Review had considered information technology so important that a cross cutting team was created just to concentrate on this area.

One of the most important efforts I learned about was the work of GAO to synthesize the best practices of public and private sector organizations for managing information technology in its Informative Executive Guide, entitled: "Improving Mission Performance Through Strategic Information Management and Technology: Learning From Leading Organizations."

OMB and GAO also produced a detailed document entitled "A Guide for Evaluating IT Investments."

These documents, along with the advice of GAO representatives in a working group that I chaired played an important role in our success in gaining passage of the Information Technology Management Reform Act of 1996. GAO has continued to share its expertise with us as we begin to implement the act, including the appointment of a Chief Information Officer in each agency.

In addition to collaborating with GAO on policy development, the two agencies have worked together to improve several agency information systems. At its best, this collaborative oversight can avoid

sending conflicting signals to agencies and produce solution oriented dialog.

In 1990, GAO, Treasury and the Office of Management and Budget agreed to a process to establish Federal accounting standards and concepts, resolving a long-standing dispute among the three principals. The resulting Federal Accounting Standards Advisory Board that was established has served a valuable function for the executive branch.

At the time that the CFO's Act was passed, the Federal Government did not have a comprehensive set of accounting standards, although the need was widely recognized. FASAB, as it is known, has proven its value. In April 1996, it recommended the final accounting standard needed to complete a comprehensive set of Federal accounting standards and concepts. This considerable accomplishment is due to the hard work of the FASAB members, including GAO's representatives.

When the CFO's Act was enacted in 1990, GAO provided leadership in tackling some of the most difficult and complex first-time financial statement audits of Federal agencies, including their provision of technical resources and guidance to assist the Federal audit community in carrying out the new financial statement audit requirements imposed by the CFO's Act.

The Government Management Reform Acts expanded requirement that agencies prepare and have audited organization-wide financial statements effective for fiscal year 1996 sets a challenging goal for Federal agencies. Last year, GAO joined OMB and the Treasury Department in joint meetings with each agency's Inspector General and Chief Financial Officer to develop strategies to effectively meet the requirements of the Government Management Reform Act.

The three agencies also joined forces and established the Governmentwide Audited Financial Statement Task Force, which has developed a plan for the preparation and audit of the first ever Governmentwide financial statement, which will cover fiscal year 1997 activities.

The Government Performance and Results Act was enacted nearly 3 years ago with broad, bipartisan support. By forcing agencies to define their missions and goals clearly, along with requiring the establishment of performance measures designed to show the amount of progress being made toward the achievement of these goals, this act goes to the very core of Government and its operations.

We have worked with GAO over many months to develop and sustain a mutual supportive effort to bring about successful implementation of this act. GAO's reports and analyses have been constructive, relevant and will lead to better practice and products.

Let me now turn to the draft GAO legislation. The draft proposes a series of reforms to GAO's structure and eliminates or transfers to the executive branch certain GAO functions. We have some general comments regarding the draft bill. And as I will note, we'll provide you with more detailed followup later.

Title II and title III of the bill would transfer to various executive branch agencies a number of functions currently performed by GAO. The functions in title III are those that will soon be trans-

ferred to the executive branch pursuant to section 211 of the fiscal year 1996 legislative branch Appropriations Act. We are in the final stages of determining which agencies shall perform these functions and would support an amendment of the relevant statutory provisions to reflect these delegations.

We should be able to provide you and the subcommittee with our determinations within the next few weeks.

Title II would transfer additional functions from GAO to the executive branch. While we have no general objection to a further transfer of functions from GAO, we do have concerns at this time about some of the particular transfers contained in title II. In some cases, a function may be better performed by GAO. And in other cases, a function may be more appropriately transferred to another executive branch agency than the agency designated in the draft bill.

We have sought the views of the other agencies concerning these proposed transfers and would be pleased to work with you further on this.

Finally, title I would make several changes to GAO's organizations and authorities. Since GAO is a legislative branch agency, we would defer to Congress' views on such matters as the appropriate term and annuity of the Comptroller General, and whether an Inspector General should be established for GAO.

However, as chair of the two inspector general councils, it's my experience that IG's are most effective in agencies that process Federal dollars and grants, entitlement payments, loans or contracts, agencies where IG's can influence the basic way the agency does its business and how substantial Federal dollars are spent and protected from misuse.

Given the nature of GAO's activities and the fact that it already has an internal evaluation function, requiring that an IG be appointed does not seem to us to be necessary.

Title I also proposes to allow GAO to take sworn testimony as necessary to complete their investigations and reports. We think that granting GAO this authority for use in all investigations may substantially impede their ability to gather information. Much of GAO's work is done on an informal basis, including the collection of useful, but anecdotal information. Creating an atmosphere where every piece of information may trigger an immediate request for testimony under oath will be counterproductive. Potential witnesses and other information sources who fear testifying under the penalties of perjury may be less likely to volunteer pertinent information.

Additionally, I would note that this new authority would be much broader than the authority the committee's investigative staff now operates under. Very reasonably, the committee authorizes staff to take sworn testimony only on a case-by-case basis, and then only after both the committee and the full House have acted on a resolution granting that authority.

Let me conclude by noting, as your own statement notes, Mr. Chairman, based on OMB's long experience which mirrors that of working with GAO, it is our belief that GAO has performed very effectively during the many decades since it was established in 1921. Moreover, we are not aware of any fundamental problems

with the way GAO has been operating. Therefore, we think the proposals to reform GAO should not be taken up until thorough consideration has been given to identifying whether any serious problems exist. And, if so, whether a statutory response is the best way to address any such problems.

This concludes my testimony, Mr. Chairman. I would be happy to answer any questions you or other members of the subcommittee, if they return, might have.

[The prepared statement of Mr. Koskinen follows.]

Statement of John A. Koskinen
Deputy Director for Management
Office of Management and Budget

Thank you Mr. Chairman and Members of the Committee. I am pleased to be here today participating in your oversight hearing on the General Accounting Office (GAO) and to share our views on Chairman Clinger's and Representative LaTourette's draft legislation entitled the "General Accounting Office Management Reform Act of 1996."

Let me start my testimony by acknowledging the critical and influential role that GAO plays in Federal management. I have had the opportunity to work closely with GAO over the past 22 months and have developed great respect for the professionalism shown by the Comptroller General (CG) and his staff. GAO is an important institution, advising not only the Congress but also the Executive Branch as we seek to improve the management of the Federal Government. GAO's reports about management and programmatic issues have helped improve governmentwide operations. Over the years since its establishment in 1921, GAO has adjusted its work processes and mission to address changing Federal priorities and its guidance and recommendations have continually proven their worth.

While we in the Executive Branch need to respect the importance of GAO's independence, we also need to develop a working relationship that allows us to maximize the benefits of their insights and expertise. Under Mr. Bowsher's leadership, I think we have done that, certainly in the past few years. Let me give you a few examples of what I mean.

Information Technology (IT)

In the area of information technology development, acquisition and management, we have benefitted greatly from the positive working relationship that exists between GAO and the Executive Branch. When I first arrived at OMB, it was clear that the government had many troubled IT systems. But it was also clear that several initiatives were underway to improve the situation. The National Performance Review had considered IT so important that a cross-cutting team was created just to concentrate on this area. IT projects had been nominated by the agencies to be Government Performance and Results Act (GPRA) pilots. And the General Services Administration (GSA) had reached out to IT experts throughout the government, to bring their experience to bear on troubled systems.

One of the most important efforts I learned about was the work of GAO to synthesize the best practices of public and private sector organizations for managing IT in its informative Executive Guide, *Improving Mission Performance Through Strategic Information Management and Technology: Learning from Leading Organizations*. This report became part of the foundation of our effort to improve the way the Government acquires and manages information technology. After OMB revised its Circular A-130, *Management of Federal Information Resources*, to require agencies to establish structured evaluation criteria and decision-making processes, OMB and GAO produced a detailed document entitled, *A Guide for Evaluating IT Investments*. This guide sets out an analytical framework for linking IT investment decisions to strategic objectives and business plans in Federal organizations.

Building on these efforts, we established in early 1995 an interagency working group to identify changes needed to improve the Federal government's planning, acquisition, and management of IT. GAO representatives provided this working group with critical advice about how to proceed. On May 17, 1995, the Vice President wrote to Senator Cohen with the results of our work, much of which was incorporated into the Information Technology Management Reform Act of 1996.

GAO has continued to share its expertise with us as we begin to implement the Act, including the appointment of a Chief Information Officer in each agency.

In addition to collaborating with GAO on policy development, the two agencies have worked together to improve particular information systems. At its best, this collaborative oversight can avoid sending conflicting signals to agencies and produce solution-oriented dialogue. Our record on this is mostly positive, as shown by work done with the Department of Veteran's Affairs to develop and put in place performance measures for the systems modernization effort at the Veteran's Benefits Administration. These measures are helping to ensure that the money spent on modernization measurably reduces the time spent processing a veteran's claim and otherwise improves customer service and efficiency.

In addition, we have begun work with GAO and HHS's Health Care Financing Administration which is developing a major system for medicare transactions. And, we are working with GAO to establish an investment control process at the Internal Revenue Service to

improve the management of the Tax Systems Modernization (TSM) program. While GAO's nine separate, ongoing inquiries at IRS on this program have not been as coordinated as we would like, we look forward to developing the constructive, collaborative spirit on the TSM project which has characterized our other successful oversight activities.

Federal Accounting Standards Advisory Board

In 1990, GAO, Treasury and the Office of Management and Budget (OMB) agreed to a process to establish Federal accounting standards and concepts, resolving a longstanding dispute amongst the three principals. At the time that the CFOs Act was passed, the Federal Government did not have a comprehensive set of accounting standards, although the need was widely recognized.

The Federal Accounting Standards Advisory Board, or FASAB, was established by a Memorandum of Understanding among the three principal agency heads -- the Secretary of the Treasury, the Director of OMB, and the Comptroller General -- concerned with overall financial management in the Federal Government. The FASAB standard-setting process has elicited strongly held views by its members. Resolution of these differences has often required substantial research, analysis, and deliberation. But FASAB has proven its value -- in April 1996, it recommended the final accounting standard needed to complete a comprehensive set of Federal accounting standards and concepts. This considerable accomplishment is due to the hard work of the FASAB members, including GAO's representatives.

CFOs Act and Government Management Reform Act (GMRA) Implementation

When the CFOs Act was enacted in 1990, GAO provided leadership in tackling some of the most difficult and complex first-time financial statement audits of certain Federal agencies such as VA, SSA, Army, Air Force, Customs and IRS. GAO also provided technical resources and guidance to assist the Federal audit community in carrying out the new financial statement audit requirements imposed by the CFOs Act.

The Government Management Reform Act's expanded requirement that agencies prepare and have audited organization-wide financial statements, effective for fiscal year 1996, sets a challenging goal for Federal agencies. GAO continues to work with the Executive Branch to assure successful implementation of GMRA. Last year, GAO joined OMB and the Treasury Department in joint meetings with each agency's Inspector General (IG) and Chief Financial Officer to develop strategies to effectively meet GMRA requirements. The three agencies also joined forces and established the Government-wide Audited Financial Statement Task Force, consisting of representatives from the CFO Council, agency IGs and CFOs, OMB, GAO and Treasury staffs. The task force is co-chaired by OMB and GAO and it has developed a plan for the preparation and audit of the first ever government-wide financial statement which will cover fiscal year 1997 activities. In addition, the task force identified and is addressing substantive cross-cutting accounting and auditing issues which will impact the agency-wide and government-wide audited financial statements.

Government Performance and Results Act

The Government Performance and Results Act (GPRA) was enacted nearly three years ago with broad bi-partisan support. By forcing agencies to define their missions and goals clearly along with requiring the establishment of performance measures designed to show the amount of progress being made toward the achievement of those goals, this Act goes to the very core of government and its operations. But GPRA's plans and reports will be irrelevant documents unless they are used by the Executive and Legislative Branches.

We have worked with GAO over many months to develop and sustain a mutual, supportive effort to bring about successful implementation of this Act. During this time, the Comptroller General has been at the forefront of those testifying in support of GPRA, and the positive impact it can have for both branches of government. GAO resources assigned to GPRA are a substantial help to the agencies. Their reports and analyses are constructive, relevant, and will lead to better practice and products. A good example is GAO's recent report examining the GPRA pilot projects. GAO found shortcomings in some of the pilots, but, to GAO's credit, they recognized that the agency pilots are just that, experiments to see how things might work. Rather than focusing on the shortcomings as a sign of failure, the report builds on the range of experiences of the pilots to provide a helpful set of benchmarks for future use by the agencies in their development of strategic and performance plans under GPRA. As a result, we have been distributing this report throughout the Executive Branch.

Draft GAO Management Reform Act

Let me now turn my remarks to Chairman Clinger's and Representative LaTourette's draft GAO legislation. The draft legislation proposes a series of reforms to GAO's structure, and eliminates or transfers to the Executive Branch certain GAO functions. We have some general comments regarding the draft bill.

Titles II and III of the bill would transfer to various Executive Branch agencies a number of functions currently performed by GAO. The functions in Title III are those that will soon be transferred to the Executive Branch pursuant to Section 211 of the Fiscal Year 1996 Legislative Branch Appropriations Act, which provided for the transfer of these functions to OMB, with further delegation to other agencies. Title III would amend the relevant statutory provisions to reflect the ultimate delegations. We are in the final stages of determining which agencies shall perform these functions, and would support an amendment of the relevant statutory provisions to reflect these delegations. We should be able to provide you with our determinations within the next few weeks.

Title II would transfer additional functions from GAO to the Executive Branch. While we have no general objection to a further transfer of functions from GAO, we do have concerns at this time about some of the particular transfers in Title II. In some cases, a function may be better performed by GAO and, in other cases, a function may be more appropriately transferred to another Executive Branch agency than the agency designated in the draft bill. We have sought the

views of the other agencies concerning these proposed transfers, and would be happy to work with you further on this.

Finally, Title I would make several changes to GAO's organization and authorities. Since GAO is a Legislative Branch agency, we would defer to Congress' views on such matters as the appropriate term and annuity of the Comptroller General and whether an IG should be established for GAO. However, as Chair of the two IG Councils (the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency), it is my experience that IGs are most effective in agencies that process Federal dollars in grants, entitlement payments, loans or contracts -- agencies where IGs can influence the basic way the agency does its business, and thus influence how substantial Federal dollars are spent and protected from misuse. Given the nature of GAO's activities and the fact that it already has an internal evaluation function, requiring that an IG be appointed does not seem necessary.

Title I also proposes to allow GAO to take sworn testimony as necessary to complete their investigations and reports. We think that granting GAO this authority for use in all investigations may substantially impede their ability to gather information. Much of GAO's work is done on an informal basis, including the collection of useful but anecdotal information. Creating an atmosphere where every piece of information may trigger an immediate request for testimony under oath will be counterproductive. Potential witnesses and other information sources who fear testifying under the penalties of perjury may be less likely to volunteer pertinent information. Additionally, I would note that this new authority would be much broader than the

authority the committee's investigative staff now operates under. Very reasonably, the committee authorizes staff to take sworn testimony only on a case by case basis and then only after both the committee and the full House have acted on a resolution granting that authority.

Let me conclude by noting that, based on OMB's long experience working with GAO, it is our belief that GAO has performed very effectively during the many decades since it was established in 1921. Moreover, we are not aware of any fundamental problems with the way GAO has been operating. Therefore, we think that proposals to reform GAO should not be taken up until thorough consideration has been given to identifying whether any serious problems exist and, if so, whether a statutory response is the best way to address any such problems.

This concludes my testimony, Mr. Chairman. I would be happy to answer any questions you or the other members of the subcommittee might have.

Mr. HORN. Thank you very much for that comprehensive statement. As I understand it now, this draft legislation that is floating around has been referred to the executive departments to be coordinated in one response from OMB to this committee.

Mr. KOSKINEN. That's correct, Mr. Chairman. We've asked the other agencies, particularly with regard to titles II and III, which are the proposed transfers, to give us their views as to the appropriateness of the transfer and whether it's headed in the right direction.

Mr. HORN. Did you have any other comments you wanted to make on title II, or have you made all that you want to make on that?

Mr. KOSKINEN. No, I think that's all we would have for now. As I said, when we get the agency responses, we will get you a consolidated response with our suggestions as to where transfers should be made.

Mr. HORN. Let me ask you, do you have any suggestions as to how cooperation between OMB and GAO might further support the Government Performance and Results Act? Do you have any thoughts on that?

Mr. KOSKINEN. In my full testimony, I noted, I think, a very constructive example of the way GAO has performed. They reviewed and did a report analyzing all of the pilot programs under GPRA. And as one would expect, found that there were shortcomings in some of the pilot programs. But instead of simply focussing on the shortcomings, they treated the pilots for what they really are, which is pilot programs; and derived from that review a set of lessons learned that the agency should pay attention to as we move forward. And it was, we thought, such a well done piece of work that we have shared it across the executive branch with agencies as they move forward.

In addition, we have within OMB, I have established a cross OMB agency-wide implementation group for GPRA. And at our next meeting, we propose to sit down with GAO representatives and discuss what their plan is in terms of the implementation of GPRA and share with them our views as to where we're going.

We also have planned and have announced to the agencies that we will do a summer review from OMB this summer of every agency, taking a snapshot of where the agency is in the development of its strategic plan and the development of its performance measures. And we will treat the 1998 budget process and submissions this fall, to the extent possible, as a dry run. And we expect to review that with GAO, as well.

So I think we are headed in the right direction and have a history in this area of a cooperative relationship. And I think that jointly, we will all benefit from this shared experience of trying to figure out exactly how to come up with appropriate performance measures for the wide range of businesses in which the Government acts today.

Mr. HORN. Well, along that line, and it's probably a little hard for you with the OMB perspective to answer this question, but I'll ask it anyhow. In your view, from what you've seen of proper audits and Governmentwide financial statement review by GAO, as we think of the Government Management Reform Act, does GAO

really have the resources it needs in terms of trained and qualified staff to properly make those audits? What's your feeling on that? Do you have a feeling based on the audits that go on now?

Mr. KOSKINEN. Well, they clearly have done, we think, an excellent job in the audits that they have performed. Their leadership is very knowledgeable and very enthusiastic about making this work. But we do not—I do not personally have knowledge about the depth of the staff and their resources. And I think the Comptroller General can better respond to that question.

Mr. HORN. In your written testimony, you indicated that OMB has collaborated with GAO on policy development relating to the Federal Government's planning, acquisition, and management of information technology. How would you rate GAO's expertise in these particular areas of planning, acquisition, management of information technology?

Mr. KOSKINEN. I think it's one of their strongest areas. I think they have provided us and the agencies very good advice. As I noted in our review that I chaired first within OMB and then across the executive branch, they provided us very good insights about how to reform the entire Governmentwide process for not only acquiring, but managing information technology. And they have been, I think, a great source of strength to us.

Mr. HORN. As you know, they did extensive best practices review of private industry and other people that might well be ahead of Government in terms of the type of technology they're using. Did you get the feeling, as you and the others in the executive branch looked at some of their work, that they're as familiar with current technology and the state-of-the-art methods as they could be?

Mr. KOSKINEN. Yes. As I said, I think we made great progress building on the work that they had done. Their findings mirrored a lot of my own experience in the private sector, but they were able to capsule it in a way that we found very functional and very helpful in terms of trying to broaden the perspective of agencies about what information technology is all about. As they determined, the major difficulty in the private sector and in the Government is when people look at information technology simply in and of itself as a technical device, rather than using it as a way of improving the way we actually do our work.

And before you buy an information technology system, which GAO discovered, what the best companies do is they ask the agencies or the people thinking about it ask three basic questions. One is: Why do we do this work at all? Can we just stop doing it? The second one is: Is there someone else better able to do this work than ourselves? And the third is: If we're going to do it, are we doing it in the most effective and efficient way possible?

And only after working through that syllogism do the best companies consider the nature of an information technology system to automate that work process. And it's a fundamental and critical analytical framework that we think we need to have applied across the board in the Federal Government.

Mr. HORN. Does the present mechanism for establishing Federal accounting standards and concepts need to be improved? You discussed this a little bit in your statement, but what's your feeling on that?

Mr. KOSKINEN. Actually, I must say since they were at the front end of that process when I first came here, there were some questions as to the length of time it would take for the combination of GAO, the Treasury, OMB and the other members of FASAB to work its way through a very complicated set of issues.

But I must say, we're all delighted with the fact that FASAB is finished its work on the basic accounting standards. And I think those will stand us all in good stead.

Mr. HORN. I now yield to the gentlewoman from New York, the ranking minority member, for questioning.

Mrs. MALONEY. Thank you, Mr. Chairman, for yielding. One of the proposals that is being discussed is to put GAO in a cyclical authorization schedule as opposed to the permanent authorization written into the 1921 act. What is your response to this suggestion? Do you think this is a good idea? Or do you think a permanent authorization is a better approach?

Mr. KOSKINEN. Well, again, as I said in my testimony, generally, we really do defer to the Congress. That's your agency and you need to make those final judgments. I think our instinct is that the GAO has functioned very well for a long period of time. And it has done that and its credibility is important, no matter who is in control of either the executive branch or the legislative branch.

And so I think the risk one has to be concerned about is if you shorten or provide a relatively short reauthorization period, that some, at least appearances, will enter into the process that GAO is more political than it is objective, that it is more responsive to whomever happens to be in control of the Congress at the time of the reauthorization. And that, therefore, it will run the risk of either pulling its punches or changing the way it does its work.

It clearly needs to be responsive to the Congress, but I think one of the strengths of GAO over time has been that it has become viewed as a professional, somewhat independent freestanding entity that provides objective and sound advice. I think to the extent that at any point in time, in its oversight functions, this committee or others in Congress feel that GAO is not delivering on its mission, clearly oversight hearings and dialog are appropriate. But I think having a regular short review and reauthorization may change significantly the fabric of the relationship, not only between GAO and the Congress, but between GAO and the executive branch.

Mrs. MALONEY. Likewise, the legislation proposes shortening the term of the appointment of the head of GAO from 15 to 10 years. And what is your feeling on that?

Mr. KOSKINEN. Well, again, that's even closer to an issue that is really in the proper domain of the Congress. Again, I think, as I said in my testimony, our analysis would be one ought to figure out what the problem is you're trying to solve and then determine whether that or other changes will be related to the solution of that problem. And at this point, it's not clear to us what the problem is that people are trying to solve by shortening the tenure.

And so you always worry about the law of unintended consequences. If you don't have a clear goal in mind for the change, you may wake up once you've made the change and discover some other things have happened that you didn't really intend.

Mrs. MALONEY. Over the last few years, GAO has issued a large body of work that relates directly to issues under your authority, the Government Performance and Results Act; the National Performance Review, OMB 2000; Chief Financial Officers Act; Information Technology.

Looking at each of these areas in which GAO has issued reports directly related to your work, what contributions do GAO reports and testimonies make to these efforts to improve management and accountability in the Federal Government? Were they—what were the contributions of the GAO reports? Were they meaningful? Or could you have lived without them?

Mr. KOSKINEN. Well, as I stated in my testimony, I think in all of those acts—I did not talk about the National Performance Review, but with the other statutes, in all of those cases, GAO made, I think, significant contributions to our work in the executive branch.

I think that we clearly don't agree all of the time. I have appeared on several panels before various committees and subcommittees of the House and the Senate. And our testimony clearly does not always go down the same path, which is appropriate. As I say, I think we appreciate the fact that GAO has to be independent. And, in fact, on occasion, we will have differences of perspective and views even about the facts.

But as a general matter, certainly in my 2 years, we have had a very collaborative and joint—and comfortable working relationship all aimed toward not gaining advantage one way or the other in terms of the nature of the studies, politically or otherwise; but basically trying to actually result in improved management. And I don't know about their work in other areas, but certainly in these areas, which have benefited in the past from strong bipartisan support from the Congress and this committee and subcommittee, in these areas, I think the goal of everyone has been to try to generate better management in the Federal Government. And I think we've had a good relationship there and GAO has made a very strong contribution.

Mrs. MALONEY. Well, you mentioned that their work focusses on lasting improvements. Would you say that their work focuses on lasting improvements or sort of quick fixes and headlines? Or is it more substantial?

Mr. KOSKINEN. Well, again, I can only speak on a personal basis for the last few years, but there the work has been focussed significantly on trying to make significant systemic changes, rather than simply pointing out a single problem. On the other hand, they do a wide range of other audit works that are appropriately addressed, as the IG's are, toward looking at areas where there has been fraud, waste, or abuse. And those, while they have systemic overtones, also are specific audit functions looking at where there have been areas where things have not been handled appropriately. So there is a range of activities they're engaged in.

But in the areas I work in, they have been working primarily on systemic change and their recommendations have focused on that.

Mrs. MALONEY. The chairman asked you earlier about GAO's focus on a best practices approach, rather than highlighting the problems that an agency is facing. And in your experience, what

are the advantages and disadvantages of this best practices approach?

Mr. KOSKINEN. Well, we call it best practices. Actually, my experience over time has been that we probably even should start calling them promising practices, because when you say best practice, it implies it's the only way to do it or there is a single best way. And, in fact, what you're trying to elicit in which they're—and they have done a good job of, is trying to share information and experiences with people so that we don't continue to reinvent the wheel.

So whether you call them promising practices or best practices, I think it's important to understand that you're going to get systemic change faster if people understand what the problems are and can benefit from the experience of others. If your only role in life is to point out the shortcomings of a particular activity, you'll be in the—as I call it, if you view that as management, you'll be in the management business for a long time, because the problems will continue to recur.

So the art form is to identify where the problems are. And it's important for people to understand that those problems exist. But then you move beyond the identification of the problem to a proposal as to what the systemic changes are that not only would address that problem, what would prevent similar problems from occurring in the future.

Mrs. MALONEY. I have no further questions, Mr. Chairman.

Mr. HORN. Let me just close on a couple of questions that came up in your testimony on the idea of witnesses under oath by GAO, the use of the subpoena power. Do you know of Federal executive agencies that have such powers? And if so, what are they?

Mr. KOSKINEN. Well, obviously, the FBI and U.S. attorneys have subpoena power, oftentimes under the control of courts. I'm not aware of other agencies, but I'm not an expert in that area, that have subpoena power. And I'm certain that none of them have it as a regular matter for all of their activities.

Mr. HORN. Well, I'll name you one that I used to be vice chairman, acting chairman and a member of. And that's the U.S. Commission on Civil Rights. It's in the executive branch. When Congress set it up under the Eisenhower civil rights bill of 1957 essentially, they gave it the subpoena power, they gave it the right to hold hearings and put witnesses under oath, which we regularly did when we examined a very explosive situation. And that was a tool that some of the congressional oversight committees had been given.

And it also permitted us to protect witnesses under the various whistleblower laws and this kind of thing that existed. So I found it worked rather well when you could get witnesses in and hold a formal hearing. If there was a tendency to degrade any of the witnesses and defame them by some of the testimony, you held that in executive session. And we did that regularly, to try to protect the witness. All we were after was, "What's the truth on this situation?"

And I guess my instinct is—and I'll explore this with the Comptroller General—the degree to which GAO has used subpoena power one way or the other and the idea of taking some testimony under oath. Now, I think you make a point that that might freeze

off some of the rumor mill, shall we say. Well, you've got a choice there. You can listen to some of that. And if I was the executive involved, I guess I'd like somebody having it under oath, not just doing a smear job on me with the Federal audit agency.

I just wondered what your thinking is on that.

Mr. KOSKINEN. With regard to the whistleblower protection, since those days of your service on the Civil Rights Commission, we now have very strong whistleblower protections for Federal employees.

Second, we have to distinguish between agencies that are freestanding regulatory and information agencies like the Civil Rights Commission and GAO, which is, in fact, clearly responsive to the Congress and has an audit role. And I know of other audit functions in organizations where it is viewed that the role of the auditor is to hold its own freestanding hearings and testimony under oath.

If there were a problem in a particular area, the GAO obviously could get a hearing held, get subpoenas issued, where it was appropriate. I think the concern here is that the act provides—the draft provides that in fact, GAO could simply at any time it thought it was necessary, take testimony under oath.

And it's our concern there, it's not only rumors that you would stop, but there are a lot of people who are willing and interested in providing information—that is, actually factual—who are likely to be deterred if they think that the immediate results is they're going to be held to the standards of perjury and have to, in fact, get advice about how to answer questions where they were interested primarily in providing information.

Mr. HORN. Well, that's an interesting theory. I don't know if it works in terms of ascertainment of the truth in the sense that if people know they can come in and say anything they want to settle grudges and not be subject to penalties if they aren't telling the truth, I wonder if that's good for the American body politic and the governmental processes.

Mr. KOSKINEN. Again, I guess if you had a history of people not providing factual information in the truth to GAO over the years of its activity and having—and if GAO had been hamstrung in its ability to issue reports and make findings, then you, I think, would want to take a harder look at this. It's not my understanding or experience that GAO has had any difficulty as a general matter determining what the facts in a situation are or ascertaining the truth.

Where there are specific situations where there are either misconstruance, malcontents or those who, in fact, have their own reasons for hiding that, there are appropriate ways for GAO to get the assistance it needs from either this committee or other committees of the Congress. And it strikes me that that's a more reasonable balance than to simply provide that, as a general matter, they can take testimony under oath anywhere any time.

Mr. HORN. Well, I guess my limited experience in the Congress of the United States, I found enough examples of executive agencies where the heads of it or one of the two or three heads of it, if it's a structure of military side and civilian side, have looked me right in the eye and lied. And the evidence was in their files. GAO was asked to get it. GAO was stonewalled by parts of the Depart-

ment of Defense. And GAO never really got it, never dug it out. We knew where it was in the file. We told them where it was.

So we had one lying set of figures submitted versus another. And they knew they were lying. And they did it consciously.

After my first experience, I went to one of the leaders of the House on the other side of the isle and I said, "I'm curious. You've been at this for a number of years, my friend. What do you think? I was just lied to by one of the senior officials of this agency." And he laughed. And he said, "you know, I was just lied to last week, he said, by one of the secretaries of a relevant agency."

And I said, "Does it happen often?" He said, "Yeah, it happens often. You got to be very precise. They'll get their way out from under you any way they can."

I was very precise. And I got that kind of an answer.

So I'm concerned when I know GAO has gotten that kind of an answer, and it really either didn't have the tools, didn't have the will, or whatever, to follow it up and nail them. And I guess that's what concerns me and why I think that GAO ought to have the tools and ought to use them more vigorously.

Now, I know the game played. The game is that if the executive branch finds you're being rough with them in one area, they'll just stonewall you in a lot of areas. And that bothers me as a citizen, where I think the public has a right to know on the files. And as you know, this committee does have jurisdiction over the Freedom of Information Act. And we intend to be taking a real review of it and see what's wrong with some agencies in producing the information that the average citizen wants, as well as the media, as well as maybe a humble Member of Congress.

In all cases, I find we've got a lot of tales of horrors, if you will, on when not much cooperation has come. Now, whether the top executives in other parts of the agency know that, I don't know. All I know is if that happened on my beat and I was the chief executive, as I have been, heads would roll if they had denied information to a legislative body—in this case, a State agency, in my case.

And this is not a State agency. This is a Federal agency. So if GAO can't find it out for the Congress, I've got real concerns. If they let themselves be stonewalled, just because it means that they will have cooperation the next time. And it's sort of, you know, you scratch my back and I'll scratch yours. I want the truth. I don't care about who loves whom. I just want the record on the surface.

Mr. KOSKINEN. Right. And I guess my point is when GAO gets to a point where it's being stonewalled or this committee or anyone else is in that position, we all testify under oath, as you obviously know. It strikes me that there are ways to deal with that on a case by case basis.

Now, the question here is whether across the board you want to change the nature of the way GAO conducts its business. And, again, I think you just have to take a hard look at: What is the problem and what's the magnitude of the problem? And what are the costs of the solution that's being considered?

Mr. HORN. Well, those are all mighty fine words. We'll explore it further. But any further questions the minority has?

Mrs. MALONEY. No, thank you.

Mr. HORN. OK. We thank you very much, John, for coming down and sharing your insights. And we look forward to the report which OMB will send on this legislation with, I assume, very detailed comments on some of the suggestions in there. As I say, this is simply legislation before us. It does not have the status of support from the subcommittee. It's like any other bill. We take a look at all of them.

Thank you very much.

Mr. KOSKINEN. Thank you, Mr. Chairman.

Mr. HORN. Panel two, Mr. Fosler, Mr. Fritz, and Mr. Tierney.

[Witnesses sworn.]

Mr. HORN. All three witnesses affirmed. We'll just go in the order which they are in the panel. And that's Mr. Fosler, the president of the National Academy of Public Administration. And, Scott, as you know, we deeply appreciate the expertise and advice that the Academy has provided this subcommittee since January 1995. You've been very helpful to us. So, please proceed.

STATEMENTS OF R. SCOTT FOSLER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION; THOMAS V. FRITZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PRIVATE SECTOR COUNCIL; CORNELIUS E. TIERNEY, PROFESSOR OF ACCOUNTANCY, DIRECTOR, CENTER FOR PUBLIC FINANCIAL MANAGEMENT, SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT, THE GEORGE WASHINGTON UNIVERSITY

Mr. FOSLER. Thank you, Mr. Chairman. I will summarize my written statement and ask that it be made a part of the record.

Mr. HORN. Without objection, it's included at this point.

Mr. FOSLER. In 1994, the academy undertook a review for the Senate Committee on Governmental Affairs of the roles, mission, and operation of the General Accounting Office. I'd like to emphasize four points from the findings of the academy panel that undertook that review.

First, GAO performs functions that are valuable to Congress, to Government in general and to the American public—functions that are growing in importance. Cost analysis, economy and efficiency auditing, contributions to improving financial management and information systems, performance auditing and selective program evaluation are crucial functions, particularly in an era of stringent budgeting, changing programs and re-engineering of processes.

When major changes are occurring, particularly in operational decisionmaking when it's becoming decentralized, auditing, research, and evaluation become all that much more important. Congressional and executive agency staff resources for these activities have declined, and apparently will continue to decline. The panel found that GAO at its best is a vital resource to Congress, to Government and to the American public for fact based auditing, research, evaluation and analysis.

Within the context of changes currently being made and contemplated in Government, the importance of these activities will surely increase.

Second, objectivity on the part of GAO and broad perception of its ability to carry out competent, fair and independent analysis are its most important assets. The panel recognized that in recent

years, there has been considerable criticism about GAO's work, including concerns about its objectivity and impartiality. The panel found no evidence of deliberate partisan bias in GAO's work, but it emphasized the importance of GAO's work remaining grounded in fact based analysis.

GAO's status as the Government's central audit agency for audit and evaluation requires bipartisan trust. The panel made several recommendations aimed at assuring the continuing objectivity and independence of GAO's work.

It recommended sharing GAO's strategic planning and priority setting with its congressional oversight committees and others; adherence to professional audit standards, including obtaining comments from audited agencies on all of its reports; adherence to professional program evaluation methods for studies in that category; and restraint on the part of congressional committee leadership and individual members in requesting GAO to undertake studies that will draw GAO into partisan issues that lack a solid factual base for empirical judgment.

If it is to maintain its objectivity and serve its core mission, GAO should not be expected to take positions on broad policy issues subject to political debate. And it should build the capacity to assess how agencies are performing their identified public missions and how they are dealing with changes emerging from policy decisions and also to assess the impacts of changes on both program costs and results.

Third, while the panel did not address the impact on GAO of a very substantial additional cut in its budget, it did note that GAO was in the midst of a major downsizing at the time of the review. And based on the panel's work, we believe additional reductions in GAO's resources at this time could adversely impact the organization's ability to carry out its statutory mission and respond to congressional requests for GAO's services.

Fourth, in order to open up GAO's internal processes and contribute to its efficiency and effectiveness, the panel recommended that GAO establish clear terms of reference for all GAO projects. Terms of reference would outline clearly in writing objectives and research questions, the scope of the work to be undertaken, general methods and sources to be applied, staff skills, costs, and time needed to complete the work.

GAO staff managers and requesters, if any, would agree on the terms of reference before the job is approved and work begins.

The full committee staff provided us a draft bill which would make several changes in GAO. Our panel considered most of these changes at the time of their study, and concluded at that time that several of the changes or the objectives behind them could and should be achieved without legislation.

In summary, the academy panel, whose members began from quite different perspectives on GAO, produced a consensus report that was unanimously approved. The panel concluded that the work of GAO, an institution created almost 75 years ago, is essential to functioning democratic Government in the United States. While the panel did not see a need for any legislative changes, it found opportunities and needs for improvements in processes and perspectives in both GAO and Congress. And the key point it found

is to maintain the independence and objectivity of the Federal Government's central audit agency by assuring that it is permitted to focus and does indeed focus on its core functions, a fact based auditing, research, evaluation and analysis.

Thank you, Mr. Chairman. And I'd be happy to answer any questions.

[The prepared statement of Mr. Fosler follows:]

R. SCOTT FOSLER
PRESIDENT
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. Chairman and Members of the Subcommittee:

I am R. Scott Fosler, president of the National Academy of Public Administration. We are pleased to respond to your request for our views on the General Accounting Office. This is one of the vital institutions of government that we have all come to rely upon for independent, non-partisan, and authoritative information and analysis of government operations and performance. Given the need to appoint a new comptroller general later this year, this is a particularly propitious time for your committee to focus on GAO's mission and capabilities.

In 1994, the Academy delivered a final report to the Senate Committee on Governmental Affairs on the roles, mission and operation of the General Accounting Office. A prestigious panel chaired by Alan K. Campbell conducted a year-long assessment of GAO's mission, work processes, functions and work products, and also how Congress uses GAO. The report identifies issues, presents findings related to the work GAO does and the nature of its operations, and proposes recommendations for the consideration of Congress and GAO. While the panel did not see a need at that time for any legislative changes, it found opportunities and needs for improvements in processes and perspectives in both GAO and Congress.

I have attached to my prepared statement a copy of the report's executive summary and a list of panel members for inclusion in the hearing record.

I would like to emphasize four points, on the basis of the panel's work.

1. GAO performs functions that are valuable to Congress, to government in general and to the American public -- functions that are growing in importance. Cost analysis, economy and efficiency auditing, contributions to improving financial management and information systems, performance auditing and selective program evaluation are crucial functions, particularly in an era of stringent budgeting, changing programs and reengineering of processes.

The point to be emphasized is that when major changes are occurring -- particularly when operational decisionmaking is decentralized -- auditing, research, and evaluation become

enormously important. Congressional and executive agency staff resources for these activities have declined, and apparently will continue to decline. The panel found that GAO at its best is a vital resource to Congress, to government, and to the American public for auditing, research, and evaluation. Within the context of changes currently being made and contemplated, the importance of these activities will increase.

The panel did conclude that GAO "gotcha" reports -- that is, narrow findings suitable for headlines that a public agency is doing something wrong, or could do something better -- are often not useful. Historically, they do not lead to management improvement. In most cases, they do not provide specific practical agendas for institutional change or clear estimates of the costs of recommended changes. Requests for GAO work to be used by committees to create hearing scenarios critical of agencies, without comprehensive review of comparative costs and benefits of alternatives, often do not contribute to constructive improvements in government processes or outcomes.

2. Objectivity on the part of GAO and broad perception of its ability to carry out competent, fair and independent analysis are its most important assets. The panel recognized that in recent years, there has been considerable criticism about GAO's work, including concerns about its objectivity and impartiality. The panel found no evidence of deliberate partisan bias in GAO's work. The panel made several recommendations aimed at assuring the continuing objectivity and independence of GAO's work.

Congress should not lose sight of the fact that GAO is the American government's central auditing agency. All democratic industrialized nations have central auditing agencies which aspire to have professional values and integrity. Through foreign aid programs the United States is urging developing countries and the countries emerging from communism to create such agencies.

GAO's status as the government's central audit agency for audit and evaluation requires bipartisan trust. The panel's recommendations for serving that objective include:

- sharing GAO's strategic planning and priority setting with its congressional oversight committees and others;
- adherence to professional audit standards -- including obtaining comments from audited agencies on all its reports;
- adherence to professional program evaluation methods for studies in that category; and
- restraint on the part of congressional committee leadership and individual members in requesting GAO to undertake studies that will draw GAO into partisan issues that lack a solid factual base for empirical judgment.

Like most private sector businesses engaged in reorganization and reengineering, the panel concluded that GAO should define and focus resources on its core functions, on those functions not provided by other sources and to which its legislated mission gives priority. If it is to maintain its objectivity and serve its core mission, GAO should not be expected to take positions on broad policy issues subject to political debate. Should taxes be cut? Should taxes be raised? Should government grow? Should government shrink? Should the federal government's responsibilities shrink and state and local government grow? These are not issues that belong on the agenda of the central audit agency. But GAO should build the capacity to assess how agencies are performing their identified public missions and how they are dealing with changes emerging from policy decisions, and also to assess the impacts of changes on both program costs and results.

3. The panel did not address the impact on GAO of a very substantial additional cut in its budget. The panel did note, however, that GAO was in the midst of a major downsizing at the time of its study. The size of GAO's staff had been relatively stable at about 5,100 from FY 1979 through FY 1992. GAO downsized from 5,062 staff-years in FY 1992 to 4,900 in FY 1993 to 4,500 in FY 1994. We understand that staffing levels will be reduced further to about 3,500 by the end of FY 1996. Based on the panel's work, we believe additional reductions in GAO resources would adversely impact the organization's ability to carry out its statutory mission and respond to congressional requests for GAO services.

The panel found that Congress -- through its committees and individual members --

and development and other consulting services also requires clear benchmarks, cost and schedule estimates. The TORs identify the product that the organization is providing at an agreed upon price.

The panel concluded that effective use of TORs would have three major impacts: 1) improving the efficiency and effectiveness of GAO operations; 2) linking its work agenda more effectively to congressional priorities; and 3) giving higher visibility to GAO undertakings.

Better definition of jobs and the teams assigned to them up front would improve quality, substantially reduce review and rework after drafts are prepared, decrease time and costs of jobs, and give job teams clear benchmarks to meet. They would also better define sources and methods, thereby avoiding later criticisms of weak or biased research.

Each GAO job would have a cost tag attached before it was authorized. In the past, any congressional committee or member could ask for a GAO job (in effect generating demand for GAO services) without any consideration of cost. If a good or service is perceived as free, demand for it is nearly unlimited.

We were pleased to learn that GAO has adopted a new job management process that includes providing congressional requesters "commitment letters" which specify job objectives, scope and methodology, product type and delivery date, and any special considerations. Our panel also recommended that estimated job costs be disclosed and that the TORs be provided to both majority and minority members of the requesting committee or subcommittee.

In summary, the Academy panel, whose members began from quite different perspectives on GAO, produced a consensus report that was unanimously approved. The panel concluded that the work of GAO, an institution created almost 75 years ago, is essential to functioning democratic government in the United States. While the panel did not see a need for any legislative changes, it found opportunities and needs for improvements in processes and perspectives in both GAO and Congress. Now it is up to Congress to ensure that such improvements are made and that GAO's capacity to perform its basic mission is preserved and

requested from GAO a level of work that severely taxed the agency's resources. GAO tried to respond to every request from congressional committees and members of Congress that fell within its general issue areas and did not unduly duplicate other work -- often including requests generated by congressional staff of which the members themselves may not have been fully aware. In addition, a considerable number of projects emerged from issues identified in prior GAO studies and from the internal GAO strategic planning process which were usually supported by a congressional request letter. (For that reason, the panel noted that the percentage figures on the share of congressionally requested versus self-initiated work are of uncertain meaning.)

Although not designed to reduce costs or to downsize GAO, a number of the panel's recommendations could improve GAO's efficiency and effectiveness, because of their emphasis on preserving and improving quality and cost-effectiveness by making GAO's work processes more open, visible, and efficient. One category is the group of recommendations that would open up scrutiny of GAO work priorities to public and congressional discussion. Another group of recommendations would alter internal GAO work processes in ways that would shorten the time needed to complete work while simultaneously improving the quality of the product. GAO has provided us information indicating that some action has been taken in response to most of these recommendations.

4. In order to open up GAO's internal processes and contribute to its efficiency and effectiveness, the panel recommended that GAO establish clear "terms of reference" (TORs) for all GAO projects.

Terms of reference for a GAO project would outline clearly, in writing, objectives and research questions; the scope of the work; general methods and sources to be applied; staff skills, costs, and time needed to complete the work. GAO staff, managers, and requesters, if any, would agree on the TORs before the job is approved and work begins.

TORs are not a new invention. Studies contracted by federal, state and local governments from the private and non-profit sectors have long required specific terms of reference in the bidding or procurement process. Business-to-business contracting for research

even enhanced.

The full committee staff provided us a draft bill which would make several changes in GAO. Our panel considered most of these changes at the time of their study, and concluded at that time that several of the changes or the objectives behind them could and should be achieved without legislation. For example, the draft bill would require that the cost of each GAO project be published in the report at the completion of the study. The panel recommended that estimated project costs be disclosed at the beginning of a study, as well as any significant changes in costs as the project proceeds. We understand that GAO has already begun this practice. Including actual costs at the end of the study is compatible with the panel's recommendation, and could become a regular practice without legislation.

The draft bill also would require committees to reimburse the comptroller general for GAO employees assigned to them. The panel did not recommend reimbursement, but urged that Congress and GAO continue to monitor closely the use of detailees, abide by limits already provided, and publish annually the numbers, length, and nature of detail assignments.

The bill would end GAO's permanent authorization in the year 2001, requiring reauthorization annually or periodically thereafter. This is similar to a recommendation made in 1993 by the Joint Committee on the Organization of Congress to repeal GAO's permanent authorization and require a new authorization every eight years. The intent was to solve the problem of Congress' "irregular and unsystematic oversight" of GAO. The Academy panel did not support the proposal for eight-year reauthorization. The panel stressed the need for "continuing and systematic oversight of GAO," and concluded that congressional concerns could be better remedied by hearings at least biennially by GAO's oversight committees.

The panel was concerned that "the dynamics leading up to the reauthorization year would put political pressures on GAO that run counter to the Congress' interest in ensuring the objectivity and credibility of this primary audit and evaluation agency and preserving access to reliable, objective research and analysis." The panel noted that most major government departments are not subject to periodic reauthorizations (although their programs are), but that

GAO, like all major government departments and agencies, is subject to legislative changes at any time Congress desires. Annual reauthorization would put continuous pressure on GAO's independence.

The bill would reduce the comptroller general's term of office from 15 to 10 years and make a number of other changes affecting the comptroller general's compensation. Our panel considered the term length during its study but did not take any position on it.

The panel considered proposals to require establishment of an inspector general in GAO, and did not support them. The panel considered the Comptroller General responsible for assuring the effectiveness, efficiency, and integrity of GAO. The individual in that position needs flexibility to establish and adjust structures and processes to fulfill that responsibility. The panel concluded that an effective external peer review process for all categories of GAO work was an essential additional safeguard on the quality and integrity of GAO work.

In short, the Academy panel concluded at the time of its study that legislation was not required to make necessary improvements at GAO. The panel cautioned that:

Any changes . . . should be carefully designed to maintain the value and the asset that GAO has brought to government over 70 years -- assets of credibility and objectivity, flexible staff resources, and a leadership role in auditing and evaluating activities supported by public funds and in improving the financial integrity, management and accountability of government.

While GAO may not have solved all its problems, its response to the panel recommendations to date shows that positive actions can be taken without changing the law. Any legislative action should take care to preserve the integrity, capability and independence that our panel thought was so important to maintaining an effective central audit institution for government.

Mr. Chairman, this concludes my prepared statement. We would be pleased to respond to any questions.

**THE ROLES, MISSION AND OPERATION OF
THE U.S. GENERAL ACCOUNTING OFFICE**

Report Prepared for the
Committee on Governmental Affairs
United States Senate

by the
National Academy of Public Administration

October 1994

EXECUTIVE SUMMARY

The Senate Committee on Governmental Affairs asked the National Academy of Public Administration to convene an expert panel to examine the roles, mission and operation of the U.S. General Accounting Office (GAO) in May 1993. This report presents the findings and recommendations of the panel, focusing on GAO's mission and roles, its relationships with Congress and with federal executive agencies, the quality of its work, and its work processes.

GAO has been a valuable part of the federal government for more than 70 years, providing auditing, research and evaluation to government generally and to Congress in particular, which could not be easily and readily replaced. GAO's most important assets are its objectivity and impartial fact-finding and analysis that have given its reports and testimony a special standing in discussions and debates on government performance.

In recent years, there has been considerable criticism about GAO's work, including concerns about its objectivity and impartiality. Interviews conducted for this study revealed these concerns even among congressional staffs who most strongly support GAO. While the panel found no evidence of deliberate partisan bias in GAO's work, the panel did find that GAO's credibility and authoritativeness will be eroded by its involvement in policy areas without a solid base in research and evaluation.

The panel's major conclusion is that GAO and Congress should give greater attention to the scope of work GAO does, how it uses its resources, the quality of its work products, the objectivity of its findings and conclusions, and the fairness of their presentation and release.

GAO's status as the government's central agency for audit and evaluation requires bipartisan trust, particularly in a time of partisan conflict. The panel concludes that two major approaches are necessary to serve that objective: 1) restraint on the part of GAO and congressional requesters of its work, to avoid reports that do not have a firm factual

base within GAO's competence; and 2) continuing congressional oversight of GAO, with increased sharing of information, including GAO's strategic plans, lists of jobs started, terms of reference for individual studies, periodic peer review reports, and improved GAO performance indicators, as well as agency comments routinely and consistently obtained on individual GAO reports.

GAO MISSION AND ROLES

GAO's Vision, Mission, and Guiding Principles

GAO's mission and roles are becoming broader and more diverse than appropriate for the government's central audit and evaluation agency, going beyond its core purpose, skills, and resources.

GAO's statutory authorization, dating from the 1921 legislation that established it as an agency independent of the executive branch, gives the comptroller general a broad mandate to make recommendations on the economy and efficiency of public expenditures, to prescribe systems and procedures for appropriation and accounting, and to undertake investigations and reports ordered by any congressional committee. This mission has been broadened over the years by additions to the original statute and specific provisions in laws requiring numerous periodic or one-time reports on specific programs and expanding GAO's general management-oriented responsibilities.

Internal GAO processes for defining mission and roles -- most notably the processes of strategic planning and total quality management (TQM) -- have defined objectives for GAO that are very ambitious and reach beyond GAO's core mission. As part of the TQM process, GAO has defined its organizational vision as follows: "We aspire to be the world's leading organization engaged in audit, evaluation, and public policy analysis." This formulation encourages GAO to become more involved in policy questions, in a way that may extend beyond the appropriate role of the government's central audit agency and beyond its resources. To be the world leader in audit, evaluation, and policy analysis is an unrealistic aim, in light of the diversity of management, program and policy issues and the degree of specialization required to perform sound policy analyses and policy development across that full range.

GAO has become increasingly involved in policy analysis and policy development. Elected officials have the responsibility to set public policies and priorities. GAO's appropriate role is not to formulate policy but to contribute information and analysis that decisionmakers can use in evaluating options and making policy choices. Congressional staffs, majority and minority, overwhelmingly suggest that GAO's most effective contribution to decision making is to provide accurate, reliable information and fact-based audit and evaluation.

The panel recommends that GAO revise its vision and mission statements to reflect

more focused and realistic objectives, building on its own standards and guiding principles, along the following lines:

GAO's principal mission is to produce high quality research that is objective and independently derived; fact based, accurate, and timely; and presented in a way that will be meaningful and useful to responsible officials performing oversight and formulating legislation and policies to guide the management and accomplishment of public purposes.

The panel recommends a shift in GAO perspectives and methods, from promoting process-oriented controls to examining the root causes of problems in order to help improve the effectiveness of program outcomes. GAO should also ensure that it has the staff skills and resources to match its work priorities, particularly in the areas of program evaluation, cost analysis, and financial and other management systems.

GAO should take a cautious approach to policy analysis and policy development, building from a foundation in research, audit, and evaluation. Congressional requesters of GAO work should not put GAO's role and reputation as impartial, objective auditor and evaluator in jeopardy by posing research questions that inevitably place GAO in areas of conflict over policy priorities and values, without a solid factual base or objective standards for review.

GAO Strategic Planning

GAO's internal strategic planning and its relationship to congressionally-requested work is not known to most congressional members and staff. A more open strategic planning process at GAO would help create greater understanding of GAO's work priorities and address concerns about GAO's perceived reliance on congressional requesters to define its work.

GAO maps its work priorities through an internal strategic planning process that identifies research questions and projects likely to make a useful contribution to meeting vital congressional interests and needs. The GAO strategic planning process is largely confidential, as is the nature of the jobs GAO is starting. Few outside GAO are aware of the strategic planning process, the resulting work plans in each GAO issue area, and the important role they play not only in GAO's choice of self-initiated work but also in the requests that Congress makes for work. GAO and congressional staffs hold frequent discussions of issues and interests and negotiate requests for specific jobs, often based on issues that GAO has identified as the potential focus for useful future work or related to continuing streams of GAO work.

In the panel's view, the comptroller general's discretion to define important issues and to advise Congress on areas for audit and evaluation is important and valuable for GAO. But a higher level of openness, accountability, and exchange of information is needed; more sharing of information on GAO's strategic planning and choice of work can help to resolve

misunderstandings and congressional uneasiness with the work GAO does and its use of resources. The panel recommends that GAO systematically consult with congressional committees, executive agencies, and experts in each issue area, as part of its planning process. GAO should provide its summary strategic plan to GAO's oversight committees and distribute the plan in its final form to other members of Congress, as well as executive branch agencies and officials.

Quality Management and Customer Focus

GAO has taken an example from the private sector and TQM to "focus on the customer," which GAO generally defines as Congress. Interviews for this study and GAO's own 1992 survey of congressional staffs indicate some discomfort in Congress with GAO's "customer focus" language, and some suspicions that GAO is becoming too willing to tailor its work to the interests of requesters and satisfy the committee and subcommittee staffs who are the major requesters and users of GAO work.

Approaching Congress as "customer" has several built-in problems:

1. Congress consists of hundreds of individuals with diverse and often conflicting interests. Therefore, work that might please one committee or member is unlikely to please all the others.
2. Unlike the typical private sector "customer," congressional requesters do not pay or even perceive a cost for GAO work, and most are not aware of the costs of the work GAO does for them.
3. GAO's credibility depends on its reputation for impartiality, which could be damaged by an overemphasis on pleasing any individual requester.

The panel recommends that GAO clarify what it means to be "responsive" to Congress while preserving objectivity and professional standards for audit and evaluation.

GAO WORK PROCESSES

Internal Design and Review of GAO Work

GAO work processes tend to proceed in uniform, hierarchical patterns with inadequate definition at the outset of the objectives, methods, and type of work, and cumbersome review processes at the end.

GAO work products include blue cover reports -- ranging from substantial "chapter reports" to shorter "letter reports," written briefings, fact sheets, and correspondence issued in blue covers -- as well as oral briefings, shorter and less formal correspondence, and historical or other factual series of studies or guidance. Despite the diversity of its tasks,

GAO tends to work in uniform patterns that produce reports in similar formats. In the panel's view, controversies over GAO studies generally reflect misunderstandings of the basic research objectives and different views on sources and methods. Some congressional staffs do not feel that GAO did the work they requested. In some cases, GAO's methods do not seem suitable to its conclusions.

The panel has several major recommendations on GAO's work processes: 1) GAO should develop clear "terms of reference" (TORs) for each job before it is started, outlining the objectives, general methods and skills to be applied, timing and estimated cost; 2) at the beginning of each job, GAO should form work teams that represent the full range of skills and experience needed across all organizational units and levels at GAO, working collegially throughout the project; and 3) GAO should replace sequential, hierarchical reviews of reports with concurrent, interactive reviews, as well as frequent consultation and participation of supervisors and managers throughout the planning, research, and drafting process.

The panel sees developing terms of reference as the most important change from the way GAO now works. GAO should negotiate these terms with congressional requesters of a project, if any, and share them with the agency subject to study. Terms of reference for studies requested by committees should be shared with all committee members, majority and minority. GAO should retain flexibility to design the specific methodology and develop the research, but developments during the course of study that require major adjustments in the terms of reference should be discussed with requesters and the agencies in question.

Agency Comments

A major cause of concern about the objectivity of GAO's work is the way in which the results are shared with agencies and interested members of Congress. Contrary to GAO's published standards for government auditors (the "yellow book") -- which call for comments from the agency subject to audit and evaluation -- congressional requesters have increasingly instructed GAO not to get agency comments on its draft reports and sometimes not even to brief agencies orally about the results of a study. In some cases, this sets up "ambush hearings" for which neither executive agencies nor other parties have substantial notice.

Executive comments on GAO reports can serve several purposes:

- Reduce the potential for factual errors or misunderstandings;
- Reveal language that might raise sensitivities that GAO did not realize; and
- Contribute to greater cooperation and receptivity to the GAO reports on the part of the agencies being studied, thus significantly increasing the possibilities of effective response in the organization.

The panel recommends that GAO consistently seek written comments from subject

agencies on all reports that audit or evaluate executive activities, with a 30-day limit for responses, and potential extension to a total of 60 days in special circumstances.

Performance Indicators

GAO emphasizes process not only in its recommendations but also in its tracking systems and its indicators of its own performance and accomplishments. The panel recommends that GAO revise its performance indicators, to reduce emphasis on process and inputs and focus on measures of the outcomes and impacts of its work. GAO's performance indicators should include not only estimates of net savings but also associated improvements in the efficiency and effectiveness of programs. GAO should also increase its internal resources and capacity to analyze the costs and budget impacts of its recommendations, as well as to assess agency cost accounting and performance measurement systems.

External Peer Review

GAO should establish and budget for external peer review of its completed work on a continuing basis. The volume and diversity of GAO work are not compatible with formal review before jobs start or as part of the report review process. GAO, however, should work with professional associations and other experts to organize a process for having specialized panels of objective peers from outside GAO assess and report on samples of completed GAO work, covering several selected categories each year.

GAO FUNCTIONS AND WORK PRODUCTS

The nature of GAO work has evolved over the past 30 years, resulting in less emphasis on audits, particularly financial audits, and increased resources directed to program- and policy-related work. The quality, usefulness, and importance of GAO's work products are uneven. The panel also found lack of clarity in the objectives of individual GAO reports and the standards or criteria for making findings and recommendations. Overemphasis on procedural controls still prevails in many studies.

Categories of GAO Work

GAO currently undertakes six principal categories of work: 1) financial audits; 2) economy and efficiency audits (including non-financial compliance audits); 3) program evaluation; 4) policy analysis and policy development; 5) management studies; and 6) special investigations. These categories are not sharply defined and elements of several categories are frequently mixed in a single GAO study. Partly as a consequence, a job may lack clear objectives at the outset, in conflict with the "yellow book" standards that GAO prepares as a guide for federal, state and local government auditors.

The panel recommends that GAO develop clearer definitions, objectives, and standards for all the categories of work it performs; strengthen results-oriented assessment of government activities (particularly in the category of program evaluation); continue to strengthen its capacity to audit and advise agencies on systems and standards for financial and information management; include substantially greater cost analysis in its work in audit, evaluation, and policy analysis; base its policy analysis and policy development on fact-based audit and evaluation; and restrict recommendations for added oversight and control that are not based on a demonstration of expected net benefits.

GAO's special investigations work (which seeks to identify criminal behavior in government) should be kept separate and distinct from audit, evaluation, and management analysis done by issue area staffs. The panel recommends that congressional oversight committees work with GAO to develop clear standards for GAO investigative work and guidelines for referring requests for investigations to federal law enforcement agencies.

General Management Reviews and Related Work

GAO is at a crossroads in its management work. It has developed a cooperative, consultative approach to conducting general management reviews and providing technical assistance to agency leadership on systems improvements, which many agencies have found constructive. The panel finds inconsistencies between the attitudes and approaches involved in process-oriented, adversarial audits and the skills and relationships needed for GAO to play a potentially growing role in providing general management analysis and technical assistance to executive agencies, with the support of Congress.

The research done for this study shows that adversarial relationships between auditor/evaluator and agency or program management seldom lead to productive general management improvements. Aggressive oversight can identify, expose, and punish mismanagement that violates law -- a legitimate function, within limits -- but it historically does not improve management in the long term. Providing effective review and technical assistance to agency management usually involves a cooperative relationship with executives responsible for management change.

The panel recommends that GAO launch a major internal training process to convey the lessons learned from its general management studies throughout its own issue area staffs to bring those lessons to bear on all audit and evaluation activities. It should continue this area of work and build the lessons into the whole range of GAO work. To fulfill its statutory role under the Government Performance and Results Act of 1993, GAO should work cooperatively with OMB, executive agencies, and oversight committees, not to audit but to record the experiences in pilot projects under the act, in a non-adversarial context, in order to make a methodologically sound evaluation of the implementation of the law as required in 1997.

CONGRESS AND GAO

While the panel found no evidence of deliberate partisan bias in GAO work, Congress has increasingly embroiled GAO in political and policy controversy, threatening its impartial role and institutional standing. Increasingly adversarial relationships between congressional and executive entities in the last 20 years and intra-Congress rivalries make it hard for GAO to produce objective work – and to be perceived as doing so. Any use of GAO that erodes perceptions of its fairness and objectivity reduces its usefulness.

The way Congress uses GAO largely determines GAO's continued value as an institution. Congressional views of GAO's mission vary widely: some see it as an independent audit agency; others treat it as a servant of Congress and an infinitely flexible addition to congressional staff resources. The demand for GAO work always exceeds the capacity and resources of GAO, particularly if GAO is to produce timely, high quality results. The result is a considerable variation in the time GAO can devote to, and the quality of work GAO can produce for, different jobs.

Congressional Requests

Requests from congressional committees and subcommittees and individual members for GAO jobs have increased dramatically in number and scope, while GAO budgeted staff remained stable for a decade and declined 10 percent from 1992 to 1994. In fiscal year 1993, 80 percent of GAO staff-years of work were devoted to fulfilling congressional requests or mandates and the other 20 percent was for self-initiated work, which falls under the name "basic legislative responsibilities" at GAO. This represents a sizable decline in self-initiated work from a decade earlier, when self-initiated work took 53 percent of GAO staff time.

The degree of actual change is not clear, however, because a large proportion of congressional requests involve continuing streams of work in the GAO issue areas or reflect GAO priorities raised in its internal strategic planning process. Many committee staff members are satisfied with the way GAO projects are developed, although some are uneasy with having GAO spend so much of its time fulfilling congressional requests and others would prefer that GAO not shape so much of its own work.

As much as possible, congressional requesters of GAO work should create a non-partisan environment in which GAO can function. They should not assign to GAO report topics and research questions that would place GAO in the midst of value-based debates and political controversies. Also, congressional requesters should expand their focus from immediate shortcomings of programs and agencies (the "gotcha" approach) to efforts to develop systems that will generate better management, timely and accurate information, and comprehensive program evaluation on a sustainable basis.

Detailees

An issue of continuing congressional controversy is the assignment of GAO staff to committee staffs as detailees. Detailees have been heavily concentrated in some committees and subcommittees, mainly serving the chair and working with the majority staff. Sometimes, detail assignments have continued substantially longer than the official one-year limit. In the last year, GAO has committed to following the one-year limit on detail assignments and has cut the number of detailees by half. The panel recommends that GAO strictly follow the one-year limit and that GAO publish an annual report of the numbers, length and scope of detail assignments.

Oversight and Reauthorization

GAO's congressional oversight committees need to do more regular, continuing oversight of GAO. A requirement for periodic reauthorization of GAO, however, could threaten GAO's ability to perform its mission as objective audit and evaluation agency.

The panel believes strongly that the Senate Committee on Governmental Affairs and the House Committee on Government Operations should provide continuing, systematic oversight of GAO. Congress can change GAO's authorizing statute at any time and affect GAO activities through work requests and annual appropriations.

The December 1993 reports of the Senate and House members of the Joint Committee on the Organization of Congress recommended replacing GAO's permanent authorization with a required reauthorization every eight years. Most panel members are concerned that a requirement for periodic reauthorization would put political pressures on GAO during every reauthorization cycle that run counter to the interest of Congress in ensuring objectivity and credibility of the central audit and evaluation agency.

BIOGRAPHIES OF PANEL MEMBERS

Chair Alan K. ("Scotty") Campbell Chairman, Commission on the Social Security Notch Issue; former Executive Vice President, ARA Services, Inc.; the first director of the U.S. Office of Personnel Management and chairman of its predecessor, the U.S. Civil Service Commission; former dean and professor at the Maxwell School, Syracuse University. NAPA Fellow.

Vice Chair Peter L. Szanton President, Szanton Associates; former Associate Director, U.S. Office of Management and Budget; former President, New York City-Rand Institute. NAPA Fellow and member of NAPA Board of Trustees and Chair of Program Committee.

Panel

Norman A. Bolz Former Vice Chairman, International Operation, Coopers & Lybrand, with 40 years experience in audit, tax, management and administration; currently Director and Chairman of Audit Committee for Computervision, Inc., and Intersolv, Inc.; former Associate Commissioner for Policy and Management, Internal Revenue Service, U.S. Treasury Department; former Director of Finance and Administration, Special Olympics International, Inc.; and President, American/Saudi Arabian Business Roundtable.

Margaret ("Peggy") Crenshaw Special assistant to chairman, U.S. Postal Rate Commission; former counsel and staff director for the Democratic minority, Senate Governmental Affairs Committee; publisher of *Employee Benefits Review*.

William Frenzel Former Republican Congressman from Minnesota, now Guest Scholar in Governmental Studies, The Brookings Institution.

Eddie N. Goldenberg Dean, College of Literature, Science and the Arts, University of Michigan; Professor of Political Science and Public Policy and former Director of the Institute of Public Policy Studies, University of Michigan; former Chief, Civil Service Reform Evaluation Management Division, U.S. Office of Personnel Management. NAPA Fellow.

Richard L. Lawson President, National Coal Association; retired four-star general of the U.S. Air Force, including service as deputy commander-in-chief of U.S. European Command, director of plans and policy for the Joint Chiefs of Staff and military assistant to the President.

Thomas E. Mann Director of Governmental Studies and W. Averill Harriman Senior Fellow in American Governance, The Brookings Institution; former Executive Director, American Political Science Association. NAPA Fellow.

Charles McC. Mathias, Jr. Former Republican Senator from Maryland; currently partner in Jones, Day, Reavis and Pogue in Washington, D.C.

C. Thomas McMillen Former Democratic Congressman from Maryland; currently Director of CliniCorp, Inc., West Palm Beach, Florida.

Chester A. Newland Duggan Distinguished Professor of Public Administration, University of Southern California, Sacramento and Washington, D.C.; past editor-in-chief, *Public Administration Review*; former Director, Federal Executive Institute. NAPA Fellow.

Constance Berry Newman Under Secretary, Smithsonian Institution; former Director, U.S. Office of Personnel Management; former President, Institute for American Business. NAPA Fellow.

Roger B. Porter Professor of Government and Business, Kennedy School of Government, Harvard University; formerly Assistant to the President for Economic and Domestic Policy, Executive Secretary, Economic Policy Council and Cabinet Council on Economic Affairs. NAPA Fellow.

Mr. HORN. Thank you, Scott. And now I notice the attachment with your remarks. The "Roles, Mission, and Operation of the U.S. General Accounting Office," which you prepared for the U.S. Senate Committee on Governmental Affairs. And it's around May 1993. You want that included in the record, I would assume?

Mr. FOSLER. We would appreciate it, Mr. Chairman. That's the executive summary of the report.

Mr. HORN. Of the report, very good. Let me now call on Mr. Thomas V. Fritz, the president and chief executive officer of the Private Sector Council. If you don't mind, Mr. Fritz, tell us a little bit about the Private Sector Council before you get into your testimony.

Mr. FRITZ. Mr. Chairman and members of the subcommittee, good afternoon. I'm pleased to be with you today and hope to be helpful. Private Sector Council is a nonpartisan, nonprofit public service organization dedicated to improving the productivity, efficiency and management of the Federal Government through a cooperative sharing of knowledge between the public and private sectors.

For more than 13 years, our members have quietly, and at no cost to the Federal Government, worked with and at the invitation of Government leaders to bring savings to our Nation.

We've been asked to present our views today on the state of the U.S. General Accounting Office. I speak to you today as a person who has over 33 years of experience with one of the world's largest certified public accounting firms, working in roles from client service to senior management positions.

I also speak to you today as a person who has worked on a number of Private Sector Council projects with GAO and with Federal departments and agencies, projects where GAO audit, where it pointed out control or other deficiencies that needed corrections, or where new financial standards or presentations were being considered. My comments today are from this background and perspective.

GAO was created by Congress in 1921 to not only help Congress fulfill its legislative and oversight responsibilities, but to foster the important responsibilities of accountability and stewardship of any democratic Government to its people. They have done this in a way that has earned GAO the right to have pride in their accomplishments.

In recent years, GAO has been a prime mover in contributing to the advancement of clear, more accurate, useful financial information from which better management decisions on budgeting, tax policy and the overall direction of Government can be made. Although much more remains to be done, the progress which has been made would not have been made without a lot of good work by the Comptroller General, the General Accounting Office and other audit organizations, as well as the dedicated leadership of the CFO Council and Congress.

In these brief remarks, I want to focus my comments on just two points: the importance of continuing to encourage in GAO the spirit of constructive criticism and helpfulness; and, two, a need for the increase in the capacity to capitalize on the productivity that comes from information technology.

With the enactment by Congress of the Chief Financial Officers Act and other legislation, the ultimate goal of more credible, relevant and readily accessible financial information should become realized in the future.

The first step has been taken: That of preparing and auditing financial statements for the first time for some of the largest Government organizations. These audits have not been easy. Nevertheless, this audit work has been of great benefit to Government. Through the audit process, we at PSC have directly seen progress in Government confronting serious financial confusion and financial management weaknesses, where GAO has performed work. These audits are bringing important discipline to financial management and control systems. Scores of deficiencies identified by GAO through the audit process have been presented in a balanced manner to agency management for corrective action, but as GAO resources become stretched, constructive criticism can become harsh criticism, and helpfulness can disappear. I know from years of experience in the private sector that to be helpful, auditors have to be patient, yet persistent; cooperative, yet independent; understanding, and yet forceful.

Over the past several years, GAO has worked with Congress to reduce GAO's resources. GAO has reduced its staff by at least 25 percent in a little more than 3 years and stands today at a staff size that is comparable to its size in 1940, despite the fact that during the past 50 years, our Nation and Government have grown and the complexity of Government has never been greater. Continued reductions in auditors and technology resources will, I believe, hobble GAO's capacity to effectively carry out its mission and will jeopardize the enormous benefits that are derived from GAO's work each year.

This brings me to my second point. Namely, GAO must retain and, in fact, strengthen its information technology resources if it is to fulfill its responsibilities to Congress and the American people in the rapidly changing, technologically complex years ahead. My comments are directed at increasing the number of talented technology professionals, a rather rare resource throughout the Federal Government.

Nowhere is it more important today than at GAO for there to be adequate technology talent to assess and analyze relevant information through a complex web of computer programs, networks, bits, and bytes. Government must find a way to identify, recruit, develop and pay these people. Government needs more modern computer systems. The need is great. Information systems across Government are dilapidated, outdated, costly to operate, and in need of attention.

Technology, coupled with streamline processes, have enabled the corporate world to find ways to do better with less. Our Government must do the same. And to do so, Government must have the talent to know when to stop computer projects that should not be approved, to help agencies to carefully plan computer projects, and to advise Congress when it appears a computer project is in distress.

In closing, let me emphasize the importance of there being a constructive spirit in the work performed by GAO, and that to do that,

there must be adequate resources. Particularly in the audit and information technology areas, the functions performed by GAO are essential to the infrastructure of good government. Although initiatives and actions which improve the machinery of Government are often overlooked and seldom covered by the press, every business-minded person understands the importance of credible, timely financial information and modern technology to the success of any organization.

Measuring and improving the machinery of Government is the field in which GAO works. GAO has earned respect and appreciation for a big job well done.

This concludes my prepared statements, and I'd be pleased to answer any questions at the appropriate time.

[The prepared statement of Mr. Fritz follows:]

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

GOOD MORNING. I AM THOMAS FRITZ, PRESIDENT AND CEO OF THE PRIVATE SECTOR COUNCIL (PSC). I AM PLEASSED TO BE WITH YOU TODAY AND HOPE TO BE HELPFUL.

PSC WAS FOUNDED IN 1983 BY DAVID PACKARD AND BILL ONSTED TO ENABLE LEADING AMERICAN BUSINESSES TO ASSIST THE FEDERAL GOVERNMENT BY PROVIDING PRIVATE SECTOR KNOWLEDGE AND EXPERTISE. WE ARE A *NONPROFIT, NONPARTISAN, PUBLIC SERVICE ORGANIZATION DEDICATED TO IMPROVING THE PRODUCTIVITY, EFFICIENCY AND MANAGEMENT OF THE FEDERAL GOVERNMENT THROUGH A COOPERATIVE SHARING OF KNOWLEDGE BETWEEN THE PUBLIC AND PRIVATE SECTORS.*

PSC IS SUPPORTED BY ITS MEMBERS -- MANY OF THE LARGEST, FINEST AND MOST ADVANCED CORPORATIONS IN THE WORLD, WHICH PROVIDE BOTH FINANCIAL SUPPORT AND TALENTED EXECUTIVES TO SERVE ON PSC TEAMS, TEAMS THAT WORK WITH GOVERNMENT ON PROJECTS WHICH ARE COOPERATIVELY DEFINED, BUT INITIATED BY GOVERNMENT'S SENIOR MANAGEMENT. OVER THE YEARS THESE SERVICES HAVE BEEN OFFERED AND PROVIDED AT **ABSOLUTELY NO COST TO THE GOVERNMENT.** WE NEITHER SEEK NOR ACCEPT CONTRACTS OR GRANTS FROM GOVERNMENT.

FOR MORE THAN THIRTEEN YEARS OUR MEMBERS HAVE QUIETLY WORKED WITH, AND AT THE INVITATION OF, GOVERNMENT LEADERS TO BRING SAVINGS TO OUR NATION. DURING THAT PERIOD WE HAVE COMPLETED MORE THAN 270 PROJECTS FOR 25 FEDERAL DEPARTMENTS AND AGENCIES. WE DO NOT LOBBY, RATHER WE TAKE ACTION TO ENCOURAGE AND FACILITATE PRODUCTIVE CHANGE -- CHANGE WHICH IS RECOMMENDED BY TALENTED EXECUTIVES FROM THROUGHOUT THE PRIVATE SECTOR. FROM ITS BEGINNING, PSC HAS MAINTAINED A LOW PROFILE, BUT A STRONG COMMITMENT TO BEING HELPFUL TO, RATHER THAN JUST CRITICAL OF,

THE MANAGERS OF OUR GOVERNMENT. WE BELIEVE THAT AFTER 13 YEARS WE HAVE ESTABLISHED A SOUND RECORD OF ASSISTANCE TO GOVERNMENT MANAGERS IN THEIR MASSIVE DAILY CHALLENGE TO ADVANCE GOOD GOVERNMENT.

WE HAVE BEEN ASKED TO PRESENT OUR VIEWS TODAY ON THE STATE OF THE UNITED STATES GENERAL ACCOUNTING OFFICE (GAO) AND NOT TO SPECIFICALLY ADDRESS THE PROPOSED LEGISLATION REGARDING GAO THAT IS PRESENTLY BEFORE YOUR SUBCOMMITTEE.

I SPEAK WITH YOU TODAY AS A PERSON WHO HAS HAD THIRTY-THREE YEARS OF EXPERIENCE WITH ONE OF THE WORLD'S LARGEST INTERNATIONAL CERTIFIED PUBLIC ACCOUNTING FIRMS, WORKING IN ROLES RANGING FROM CLIENT SERVICE IN A VARIETY OF INDUSTRIES FOR SOME OF OUR NATION'S LARGEST CORPORATIONS TO A SENIOR MANAGEMENT POSITION, RESPONSIBLE FOR THE OVERALL DEVELOPMENT, MANAGEMENT AND CONDUCT OF PROFESSIONAL SERVICES OF THAT FIRM.

I ALSO SPEAK WITH YOU TODAY AS A PERSON WHO HAS WORKED ON A NUMBER OF PSC PROJECTS WITH GAO AND WITH FEDERAL DEPARTMENTS AND AGENCIES -- PROJECTS WHERE GAO'S AUDIT WORK POINTED OUT CONTROL OR OTHER DEFICIENCIES THAT NEEDED CORRECTIONS OR WHERE NEW FINANCIAL STANDARDS OR PRESENTATIONS WERE BEING CONSIDERED. MY COMMENTS TODAY ARE FROM THIS BACKGROUND AND PERSPECTIVE.

THE GAO WAS CREATED BY CONGRESS IN 1921 TO NOT ONLY HELP CONGRESS FULFILL ITS LEGISLATIVE AND OVERSIGHT RESPONSIBILITIES, BUT TO FOSTER THE IMPORTANT RESPONSIBILITIES OF ACCOUNTABILITY AND STEWARDSHIP OF ANY DEMOCRATIC GOVERNMENT TO ITS PEOPLE. FOR THE PAST 75 YEARS GAO HAS WORKED TO PROVIDE OBJECTIVE INFORMATION, NON-PARTISAN ANALYSIS AND THOUGHT-PROVOKING RECOMMENDATIONS FOR IMPROVING THE OPERATIONS OF GOVERNMENT. THEY HAVE DONE THIS IN A WAY THAT HAS EARNED GAO THE

RIGHT TO HAVE PRIDE IN THEIR ACCOMPLISHMENTS.

IN RECENT YEARS GAO HAS BEEN A PRIME-MOVER IN CONTRIBUTING TO THE ADVANCEMENT OF CLEARER, MORE ACCURATE AND USEFUL FINANCIAL INFORMATION FROM WHICH BETTER MANAGEMENT DECISIONS ON BUDGETING, TAX POLICIES AND THE OVERALL DIRECTION OF GOVERNMENT CAN BE MADE. ALTHOUGH MUCH MORE REMAINS TO BE DONE, THE PROGRESS WHICH HAS BEEN MADE WOULD NOT HAVE BEEN MADE WITHOUT A LOT OF GOOD WORK BY THE COMPTROLLER GENERAL, THE GENERAL ACCOUNTING OFFICE AND OTHER AUDIT ORGANIZATIONS, AS WELL AS THE DEDICATED LEADERSHIP OF THE CFO COUNCIL AND CONGRESS.

IN THESE BRIEF REMARKS I WANT TO FOCUS AND COMMENT ON JUST TWO POINTS: 1) THE IMPORTANCE OF CONTINUING TO ENCOURAGE IN GAO THE SPIRIT OF CONSTRUCTIVE CRITICISM, HELPFULNESS TO GOVERNMENT AND PERSEVERANCE, AND 2) A NEED FOR AN INCREASE IN THE CAPACITY TO CAPITALIZE ON THE PRODUCTIVITY THAT COMES FROM INFORMATION TECHNOLOGY.

WITH THE ENACTMENT BY CONGRESS OF THE CHIEF FINANCIAL OFFICERS ACT OF 1990, THE GOVERNMENT MANAGEMENT REFORM ACT OF 1994 AND THE GOVERNMENT PERFORMANCE AND RESULT ACT AND THE IMPLEMENTATION OF THEIR PROVISIONS THE ULTIMATE GOAL OF MORE CREDIBLE, RELEVANT AND READILY ACCESSIBLE FINANCIAL INFORMATION SHOULD BECOME REALIZED IN THE FUTURE.

THE FIRST STEP HAS BEEN TAKEN -- THAT OF PREPARING AND AUDITING FINANCIAL STATEMENT FOR THE FIRST TIME FOR SOME OF THE LARGEST GOVERNMENT ORGANIZATIONS (E.G., ARMY, AIR FORCE, IRS, CUSTOMS, HUD, LABOR, AGRICULTURE, VA, ETC.). THESE AUDITS HAVE NOT BEEN EASY. THINK, IF YOU WILL, ABOUT HOW DIFFICULT IT WOULD BE TO PERFORM A FIRST-TIME AUDIT OF AN ORGANIZATION TWO OR THREE TIMES THE SIZE OF GENERAL MOTORS AFTER

IT HAD BEEN IN OPERATION WITHOUT AN AUDIT FOR MORE THAN 200 YEARS. SOME OF THE LARGEST AND THE MOST DIFFICULT DEPARTMENTS OF GOVERNMENT WERE ASSIGNED TO THE GAO TO AUDIT. THEY PERFORMED THIS WORK WELL. IN MANY OF THE LARGEST DEPARTMENTS GAO AND OTHER AUDITORS WERE UNABLE TO SATISFY THEMSELVES AS TO SIGNIFICANT FINANCIAL ISSUES AND THEREFORE WERE UNABLE TO EXPRESS AN OPINION OR HAD TO QUALIFY THEIR AUDIT OPINION AS TO FAIR PRESENTATION OF THE AGENCY'S FINANCIAL INFORMATION.

NEVERTHELESS, THIS AUDIT WORK HAS BEEN OF GREAT BENEFIT TO GOVERNMENT. THROUGH THE AUDIT PROCESS, WE AT PSC HAVE DIRECTLY SEEN PROGRESS IN GOVERNMENT CONFRONTING SERIOUS FINANCIAL CONFUSION AND FINANCIAL MANAGEMENT WEAKNESSES WHERE GAO HAS PERFORMED WORK. THESE AUDITS ARE BRINGING IMPORTANT DISCIPLINE TO FINANCIAL MANAGEMENT AND CONTROL SYSTEMS. SCORES OF DEFICIENCIES IDENTIFIED BY GAO THROUGH THE AUDIT PROCESS HAVE BEEN PRESENTED IN A BALANCED MANNER TO AGENCY MANAGEMENT FOR CORRECTIVE ACTION, BUT AS GAO RESOURCES BECOME STRETCHED CONSTRUCTIVE CRITICISM CAN BECOME HARSH CRITICISM AND HELPFULNESS CAN DISAPPEAR. I KNOW FROM YEARS OF EXPERIENCE IN THE PRIVATE SECTOR THAT TO BE HELPFUL AUDITORS MUST BE PATIENT YET PERSISTENT; COOPERATIVE YET INDEPENDENT; UNDERSTANDING YET FORCEFUL.

ONCE IDENTIFIED, THE CORRECTION OF DEFICIENCIES IN FINANCIAL MANAGEMENT AND CONTROL SYSTEMS OFTEN REQUIRE TIME, MONEY AND A SOLID COMMITMENT OF GOVERNMENT LEADERS. FOR EXAMPLE, COMPUTER SYSTEMS MAY REQUIRE MODIFICATION AND MODERNIZATION TO OVERCOME DEFICIENCIES. SOME OF THESE NECESSARY CORRECTIONS REQUIRE TIME -- BUT THOSE WITHIN AGENCIES THAT HAVE LEADERSHIP RESPONSIBILITIES MUST UNDERSTAND THE IMPORTANCE OF CORRECTIVE ACTION AND IMMEDIATELY START TO WORK ON IT. PROGRESS OF AGENCIES TO CORRECT SUCH DEFICIENCIES SHOULD BE MEASURED AND JUDGED BY GAO AGAINST A TIMELINE AND PLAN THAT ACCOMPLISHES WHAT MUST BE DONE WITHIN A REASONABLE TIME. AGENCIES THAT FAIL TO MAKE GOOD PROGRESS UNDER THE ESTABLISHED PLAN SHOULD BE SEVERELY CRITICIZED BY

GAO; THOSE THAT MAKE GOOD PROGRESS SHOULD BE ENCOURAGED TO CONTINUE TO DO SO UNTIL THE DEFICIENCY IS CORRECTED. SUCH AN APPROACH WILL BE VIEWED AS BEING HELPFUL AND COOPERATIVE, YET PERSISTENT. WE HAVE OBSERVED GAO FOLLOWING THIS PATTERN AND DOING THESE THINGS IN MOST SITUATIONS. TO BE MOST CONSTRUCTIVE, THE AUDIT WORK OF GAO SHOULD BE PERFORMED WITH A DEGREE OF TENSION, BUT NOT FEAR.

OVER THE PAST SEVERAL YEARS GAO HAS WORKED WITH CONGRESS TO REDUCE GAO'S RESOURCES. GAO HAS REDUCED ITS STAFF BY AT LEAST 25% IN A LITTLE MORE THAN THREE YEARS AND STANDS TODAY AT A STAFF SIZE THAT IS COMPARABLE TO ITS SIZE IN 1940 DESPITE THE FACT THAT DURING THE PAST FIFTY YEARS OUR NATION AND GOVERNMENT HAVE GROWN AND THE COMPLEXITY OF GOVERNMENT HAS NEVER BEEN GREATER. CONTINUED REDUCTIONS IN AUDITORS AND TECHNOLOGY RESOURCES WILL, I BELIEVE, HOBBLE GAO'S CAPACITY TO EFFECTIVELY CARRY OUT ITS MISSION AND WILL JEOPARDIZE THE ENORMOUS BENEFITS THAT ARE DERIVED FROM GAO'S WORK EACH YEAR. THIS BRINGS ME TO MY SECOND POINT, NAMELY GAO MUST RETAIN AND, IN FACT, STRENGTHEN ITS INFORMATION TECHNOLOGY RESOURCES IF IT IS TO FULFILL IT RESPONSIBILITIES TO CONGRESS AND THE AMERICAN PEOPLE IN THE RAPIDLY CHANGING, TECHNOLOGICALLY COMPLEX YEARS AHEAD. MY COMMENT IS DIRECTED AT INCREASING THE NUMBER OF TALENTED TECHNOLOGY PROFESSIONALS -- A RATHER RARE RESOURCE THROUGHOUT THE FEDERAL GOVERNMENT.

BECAUSE IN THE PRIVATE SECTOR CORPORATIONS, AS WELL AS THE ACCOUNTING AND CONSULTING PROFESSIONS, KNOW THE VALUE OF TOP QUALITY INFORMATION TECHNOLOGY EXECUTIVES, THEY ARE ANXIOUSLY HIRING MORE AND MORE OF THEM AT SALARIES WELL BEYOND THAT WHICH OUR GOVERNMENT PAYS. NOWHERE, HOWEVER, IS IT MORE IMPORTANT TODAY THAN AT GAO FOR THERE TO BE AN ADEQUATE GROUP OF TECHNOLOGY TALENT TO ACCESS AND ANALYZE RELEVANT INFORMATION THROUGH A COMPLEX WEB OF COMPUTER PROGRAMS, NETWORKS, BITS AND BYTES. GOVERNMENT MUST FIND A WAY TO IDENTIFY, RECRUIT, DEVELOP AND PAY THESE PEOPLE.

GOVERNMENT'S NEED FOR MODERN COMPUTER SYSTEMS IS GREAT. INFORMATION SYSTEMS ACROSS GOVERNMENT ARE DILAPIDATED, OUTDATED, COSTLY TO OPERATE AND IN NEED OF ATTENTION. TECHNOLOGY, COUPLED WITH STREAMLINED PROCESSES, HAVE ENABLED THE CORPORATE WORLD TO FIND WAYS TO DO BETTER WITH LESS -- OUR GOVERNMENT MUST DO THE SAME. TO DO SO, GOVERNMENT MUST HAVE THE TALENT TO KNOW WHEN TO STOP COMPUTER PROJECTS THAT SHOULD NOT BE APPROVED, TO HELP AGENCIES TO CAREFULLY PLAN COMPUTER PROJECTS, AND TO ADVISE CONGRESS WHEN IT APPEARS A COMPUTER PROJECT IS IN DISTRESS. THESE PROJECTS ARE OFTEN MASSIVE AND COMPLEX.

ADEQUATE OVERSIGHT AND EFFICIENCIES CANNOT BE ACHIEVED WITH TOO FEW TALENTED TECHNOLOGY PEOPLE. I URGE YOU TO SUPPORT AND ENCOURAGE GAO TO INCREASE AND STRENGTHEN ITS RESOURCE IN THIS AREA. IT WILL PAY OFF TO MAKE OUR NATION MORE EFFICIENT, MORE PRODUCTIVE AN BETTER MANAGED.

IN CLOSING, LET ME EMPHASIZE THE IMPORTANCE OF THERE BEING A CONSTRUCTIVE SPIRIT IN THE WORK PERFORMED BY GAO AND THAT TO DO THAT THERE MUST BE ADEQUATE RESOURCES, PARTICULARLY IN THE AUDIT AND INFORMATION TECHNOLOGY AREAS. THE FUNCTIONS PERFORMED BY GAO, RANGING FROM AUDITS AND ANALYSES, TO EVALUATING SYSTEMS AND CONTROLS, TO DEFINING FEDERAL ACCOUNTING AND AUDITING STANDARDS, TO INVESTIGATIVE INSPECTIONS ARE ESSENTIAL TO THE INFRASTRUCTURE OF GOOD GOVERNMENT. ALTHOUGH INITIATIVES AND ACTIONS WHICH IMPROVE THE "MACHINERY OF GOVERNMENT" ARE OFTEN OVERLOOKED AND SELDOM COVERED BY THE PRESS, EVERY BUSINESS-MINDED PERSON UNDERSTANDS THE IMPORTANCE OF CREDIBLE, TIMELY FINANCIAL INFORMATION AND MODERN TECHNOLOGY TO THE SUCCESS OF ANY ORGANIZATION, WHETHER IT BE A SMALL BUSINESS, A FEDERAL AGENCY OR THE ENTIRE GOVERNMENT. MEASURING AND IMPROVING THE "MACHINERY OF GOVERNMENT" IS THE FIELD IN WHICH GAO WORKS. GAO HAS EARNED RESPECT AND APPRECIATION FOR A BIG-JOB, WELL DONE.

Mr. HORN. Thank you very much for that helpful statement and all of the volunteering that you and your associates do that enables Federal executives, many of whom come from the private sector, who renew themselves and have some camaraderie, or at least it saves psychiatric expenses when they can talk to fellow professionals.

Our last gentleman on this panel is Dr. Cornelius E. Tierney, professor of accountancy, director of the center for public financial management, School of Business and Public Management, the George Washington University.

Dr. Tierney.

Mr. TIERNEY. I thank you. Thank you, Mr. Chairman. I think it's important to acknowledge that the current state of financial management in the Federal Government, a lot of positive things have happened in the last decade or so, by Congress, by the central agencies, by operating departments and agencies. And I think many of them would not have happened without the support, continuing support of the U.S. General Accounting Office. And they're of interest by organizations in and out of Government.

I've addressed several specific issues of the subcommittee of interest in this oversight hearing on GAO. My detailed comments have been provided for the record.

Addressing my oral comments or a few of these points, one, I believe, is the Government accounting standards. These were first issued by the General Accounting Office in 1972. They're used extensively in the public accounting profession. They've been translated into many foreign languages. They're the law of many States and local governments today in the conducting of public sector audits.

These standards declare that Government audits must include not only work typically done by auditors and auditing statements, but should also include tests on compliance with laws and regulations and controls and the reporting of that work.

GAO has also issued standards in the same publication for the conduct of performance audits. I commented in my prepared statement about two conditions that exist that Congress might address. One is that GAO over the years in many publications, in Congress and many laws, have increasingly supported the thesis that from a management and oversight perspective, the audit of internal controls are as important as the audit of financial statements.

The need to actually audit and have auditors render an opinion on the adequacy of a governmental entity system of controls in much the same manner as the financial statements are audited is apparent, particularly when we're talking taxpayers' money. Audits of controls, though, are not currently automatic under the Government auditing standards, nor under the generally accepted auditing standards of the profession.

In practice, tests of controls are required but are incidental to the audit of financial statements. And specifically in the case of like the single audit, the auditors, when they render their audit opinion, they specifically disclaim opinion on the audit of controls.

Additionally, I believe increased emphasis should be given within the Inspector General community to periodically conducting a program of performance audits of the type outlined for years by the General Accounting Office and its Government auditing standards.

Few full scope performance audits are currently made and yet the output of these audits may be as important to public sector program management and oversight as the newly instituted financial audits.

These audits, while not needed annually, can significantly enhance program management, assist Congress with its oversight responsibilities, and possibly could be done on a cycle basis every third year or so.

Shifting to governmental accounting, I am privileged to be a member of the Federal Accounting Standards Advisory Board. In November 1990, Congress passed the Chief Financial Officers Act that address many financial management issues, including the standardization of form and content of financial statements and also require that these statements be consistent with applicable accounting principles, standards and requirements.

Interestingly, the CFO Act is silent on who or which agency is to define these cited applicable accounting principles, standards and requirements. But just prior to the act, the Federal Accounting Standards Advisory Board was created by an agreement between the Comptroller General of the United States, the Secretary of Treasury and the Director of OMB. The purpose of FASAB is to recommend to these three Federal executives accounting and reporting standards after considering the needs of Congress, executive agencies and the needs of other users of Federal financial information in and out of Government.

I believe that defining, recommending and implementing uniform Federal accounting and reporting standards is working and working very well. We would not be at the board in the position we are if it was not for the General Accounting Office. Their technical support, their resources, their organization and their willingness to lend that talent to the FASAB is well appreciated by all of us at the board.

I would like to suggest, though, that Congress examining the existing FASAB role, its permanency, placement, structure, financing, to evaluate what or whether changes are needed for the longer term.

Last, I'd like to address three points that I was asked to consider with respect to the General Accounting Office and relationships primarily with Congress. Over the years, certain aspects of GAO operations have been examined or have been the subject of congressional inquiries. It appears the concerns of this year somewhat parallel those of years gone by.

One area has been the GAO reporting, its efficiency. GAO itself is continually concerned over the length of time to issue some of its reports resulting from its reviews and audits. GAO is aware that at times the report preparation and delivery times have exceeded a year or more. This is excessive and results in less than timely communication and a transmission of data, having limited management and oversight value. My personal view is that delay is directly related to its concerns with this reporting to the Congress. I believe it's almost an obsession at the GAO that they believe their report be objective, complete, accurate—essentially, that their reports be infallible. But this level of review, which is extraor-

dinary in relation to that imposed by major accounting firms and large management consulting firms on their lead professionals.

But this can be fixed. Improvement would result if the report hierarchy were flattened. The number of reviews eliminated. Responsibility for final reports were allocated to lower levels in the organization and the original drafters knew they had a personal responsibility for that final report. That kind of corrective action was taken by GAO. An initiative to drastically improve the format and drafting of its report was instituted by the Comptroller General with considerable success during the 1980's. That effort materially shortened the draft of delivery times of reports, resulted in better reports, and made more and broader levels of managers personally responsible and accountable for their reports.

With respect to the work load, Congress has empowered GAO to meet certain responsibilities on its own initiatives. Congress has imposed other specific reporting and surveillance tasks by numerous laws. And Congress regularly directs GAO to perform special requested studies and reviews. It's possible that neither GAO nor Congress have a complete inventory of that legislative work load.

I do know that much GAO time and staff are devoted to honoring committee and individual Members' requests for evaluations and review assistance, numerous other examinations at GAO, while not resulting from committee or Members of the current Congress must be done to comply with mandates in laws of earlier Congresses. These latter efforts, while appearing to be self directed, are still legal requirements that GAO must take serious. Other tasks, while seemingly self initiated, might also be rooted in laws almost forgotten, possibly of limited concern to a sitting Congress.

With respect to the independence, and my last comment, from time to time, inquiries are made relative to the independence of GAO. Is it enough? Is it too much? These re-examinations are useful and necessary, but should not be made in a cursory fashion, nor should preemptive changes be made to GAO's independence without a complete study of the history leading to the establishment of GAO in the Budget and Accounting Act of 1921 and even earlier times.

Predecessor Congresses researched and studied this issue for years and actually addressed the independent subject for 27 years before they ever passed the act of 1921. This legislative history clearly documents a need for personal independent status with which the Comptroller General has been endowed. The congressional history of those years clearly states that the Comptroller General of GAO is to be a real critic and at all times should come to the Congress, no matter what the political complexion of Congress or the executive branch might be, and to point out inefficiencies.

In its long history, I know of no Comptroller General that has ever breached a trust of Congress, that Congress placed in them. Should this trust be violated, there are provisions to remove a sitting Comptroller General. Based upon a 35-year career, exclusively devoted to the public sector, though, I do not believe that this aspect of Federal financial management is broken.

That completes my oral comments, Mr. Chairman.

[The prepared statement of Mr. Tierney follows:]

April 24, 1996

*Testimony
of
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April 30, 1996

OVERVIEW

By its own words, Congress documented that the attainment of strong fiscal and program internal controls, the implementation of uniformly defined and consistently applied accounting standards, and the preparation of standardized reporting among federal programs, agencies, and departments has been a long, difficult and less-than-successful undertaking.¹

We are now witness to a renewed appreciation for better accounting, a serious demand for uniform reporting, a clamor for independent audits, the emergence of program costing and performance measurements concerns and the technological confluence of computer software and hardware. And, there are two additional factor--a corps of federal financial managers who view their responsibilities as more vast than governmental accountants of past generations. And, most important, Congress wants a more prudent federal government that works smarter.

It is important to acknowledge the current state of federal financial management. A lot of positive things happened in the last decade--by Congress, by the central agencies, by operating departments and agencies, by interested organizations and citizens outside of government. As we approach the 21st century, it does appear that federal financial management is not "broken," a lot of it is working better, and much is working well. Of course, things can be fixed; tinkering is always possible. But, positive things happened in the last decade, with respect to federal financial management, that have not happened in 200 years.

¹For an excellent history, please see Financial Management in the Federal Government, by the staff of the Committee on Government Operations, U. S. Senate, February 13, 1961, Government Printing Office.

ORGANIZATION OF COMMENTS

I have addressed several of the issues the Subcommittee desired to review in these oversight hearings on the U. S. General Accounting Office. My comments are grouped by the following categories:

- Governmental auditing and suggestions;
- Governmental accounting and suggestions; and
- GAO's relationships--report reviews, work load priorities, and independence.

But, some prefacing qualifications are in order. These comments are my personal views and perceptions and not the documented results of an exhaustive evaluation of federal financial management.

GAO AND GOVERNMENTAL AUDITING

Government Auditing Standards

In 1972, GAO issued the initial edition of its government auditing standards, declaring that governmental audits must include not only work typically done by CPA's in auditing financial statements, but should also include tests to assess compliance with laws and regulations, audits of efficiency and economy of operations, and audits of effectiveness in achieving program objectives and results.

More than any other organization, the GAO must be credited with shifting the focus of auditing, particularly for audits of governmental units, from only rendering opinions on financial statements to attesting to performance, management, compliance, controls, and operations. At that time, in 1973, the American Institute of Certified Public Accountants pointed out that the government auditing standards referred to separate audits that required separate audit programs.² Academe, also, has acknowledged GAO's role in providing better audits for managers and those with oversight responsibilities and credit GAO as being the key innovator in defining and developing the concept of operational auditing.³

With respect to GAO's government auditing standards, two conditions exist that might warrant assistance from Congress: (1) the need to actually audit and have auditors render an opinion on the adequacy of a governmental entity's system of internal controls; and (2) giving increased emphasis within and possibly requiring the inspectors general community to periodically conduct the program

²AICPA, Report by Management Advisory Services Committee, New York, N. Y., 1973.

³Wallace, Wanda A., Auditing, PWS Kent Publishing Company, Boston, MA., 1995, 2nd edition, p.34.

performance audits outlined and contemplated by GAO in its government auditing standards.

Auditing Internal Controls. With respect to internal controls, GAO in many promulgations and Congress in many laws have increasingly supported the thesis that from a management and oversight perspective controls are as important as audits of historical financial statements. Controls can and have been audited: GAO had its controls audited and opined upon in 1992; the AICPA had its controls audited and opined upon in 1994. But, audits of controls are not actually required by the government auditing standards and do not automatically flow from the standards. Few audits are made of federal controls, but such audits could provide significant comfort to operating management and to Congress that the federal systems, controls, and checks and balances are operating as intended.

Performance Auditing. With respect to performance auditing, better, more comprehensive, and relevant information would be provided by departmental inspectors general if these executives were required to regularly conduct and report to Congress on the types of performance audits outlined in the GAOs auditing standards. Currently few of these audits are performed and possibly none pursuant to a regular program of performance auditing that could provide invaluable data to Congress in connection with its oversight responsibilities. These audits, while not needed annually, can significantly enhance program management and be a valuable addition to the present historical financial statement audits.

Single Audit Act

New legislation, the Single Audit Act of 1984, required that annual comprehensive audit be made of governmental and other entities and required this there be an audit of their financial statements, a review of an entity's compliance with laws and regulations, and an assessment of internal accounting and administrative controls. These audits placed substantial emphasis on an entitywide financial statement audit, far greater emphasis is given to the study and evaluation of internal controls and mandated testing of compliance with laws and regulations, and require that written reports be submitted on the audit work performed in these areas.

By the law and federal regulations, the single audit concept applies to all units of state and local governments, colleges and universities, contractors, grantees, nonprofit organizations, Indian tribes, and others receiving more than \$100,000 of federal assistance annually. At the time some state and local governments may not have had annual audits of their governmentwide financial statements. And, at the federal level, no agency was responsible for monitoring all of the federal funds and assistance provided to a recipient.

Overall the Act has minimized the cost to the federal government of auditing nonfederal organizations receiving federal financial assistance, increased the audit coverage over the level that was being provided by the federal departments, and has minimized, considerably, the number of duplicate federal audits to which nonfederal entities had been subjected. It's been a positive initiative. Both the inspectors general community and GAO have completed studies of the Act and its implementation and have recommended some changes. And, as you meet, Congress is considering changes to the Single Audit Act of 1984.

But, management of the covered federally assisted programs could be improved more and cost of audits possibly reduced further if a re-examination were made of the current level of duplicate, confusing and costly audit reports and written communications currently required upon completion of a single audit. The current curious and onerous reporting of single audits results from a myriad of requirements, some imposed by Congress, other implicit in GAOs auditing standards, other outlined by OMB, some desired by the inspectors general and still others suggested by the AICPA.

Depending who's counting and how, an auditor may be required to submit 10 or so separate reports or communications with respect to a single audit. This is far too many. With minimal effort and some compromising between federal regulators and the profession, this reporting can be reduced with no loss in oversight to no more than three reports and with some thought, possibly, to a single comprehensive report.

GAO AND GOVERNMENTAL ACCOUNTING

FASAB Assistance

For a variety of reasons, federal governmental entities that prepared departmentwide financial statements or volunteered for audits of their financial statements were few in number prior to 1990.

During the 1970s and 1980s, at all levels of government, citizens learned that financial statements of government may not have been consistent with those published for prior years; that some governments moved rather casually from cash basis to accrual bases of accounting. At times, the effects of uncollected receivables, unpaid vouchers and stockpiles of materials and supplies purchased in one year to support operations of future years were not properly reflected. Selected revenues and expenditures may have been excluded from a governmental unit's statements; other revenues and expenditures were accounted for as "off budget," which generally meant "off the books."

The government accounting rules were different; the accounts of government did not reflect costs, but rather expenditures--a basis of accounting that was close to but not always synonymous with cash. Federal departments did not regularly prepare, or publish, or have the financial records and statements independently audited. An implicit prerequisite of accountability is that there is a basis of accounting, uniformly used by all entities within homogenous groupings, and consistently applied from one fiscal period to another. Stated in another manner, there must be accounting rules or "principles" that must be used and officials with oversight responsibilities, relying on the accounting rules, should be informed when the rules are no longer being used or have been violated.

In November 1990, Congress passed the Chief Financial Officer Act that addressed many financial management issues, including: controllership at OMB and the federal department and agency level; preparation of annual financial statements; standardization of the form and content of these financial statements that must be consistent with *applicable accounting principles, standards, and requirements*; and required annual audits of these financial statements in accordance with applicable GAO generally acceptable government auditing standards.⁴

The CFO Act is silent on who or which agency is to define the cited *applicable accounting principles, standards, and requirements*. But, just prior to the Act, the Federal Accounting Standards Advisory Board was created by agreement between the Comptroller General of the U. S., the Secretary of Treasury, and the Director of OMB. The agreement that resulted in the formation of FASAB is not based on any law or executive order but is essentially a "good faith" arrangement among these three central agencies to develop, issue, implement, and enforce governmentwide uniform accounting and reporting standards. The purpose of the FASAB is to recommend to these three federal executives accounting and reporting standards after considering the financial and budgetary needs of Congressional oversight groups, executive agencies, and the needs of other users of federal financial information. With no legal formality, FASAB is working; standards are being recommended; and uniform accounting guidance is being implemented almost immediately by Treasury through changes to the federal government standard general ledger.

As a member of the FASAB, I want to acknowledge, with deep-felt gratitude, the considerable guidance, task force support and technical leadership is being provided by GAO to FASAB. The fact that FASAB is at the threshold of completing the first compilation ever of federal accounting standards is due in no small part to the level, quality, and quantity of professional accounting and managerial support provided by GAO to FASAB.

As noted, FASAB exists by essentially a "good faith" arrangement among the three central agencies, with no formal recognition or permanent financing. While much has been done by FASAB; much remains to be completed, and there will be a

⁴U. S. Congress, Public Law 101-576, 101st Congress, Chief Financial Officer Act of 1990, Washington, D. C., November 1990.

continuing need for a Board to interpret, refine, modify, and study anew the continuing accounting and reporting needs of the federal government.

I believe that this aspect of Congressional intent--defining, recommending, and implementing uniform federal accounting and reporting standards is working--and well. But, I suggest that Congress examine the existing FASAB role, placement, structure, financing, etc., to evaluate what or whether changes are needed for the long term.

GAO-RELATIONSHIPSTOCONGRESS

Over the years, certain aspects of GAO operations, its working relationships with individual members of Congress and Committees, and infrequently GAOs independence have been examined or been the subject of Congressional inquiries. It appears that the concerns of this year are somewhat parallel to past years.

GAO-ReportingEfficiency

GAO, itself, is continually concerned over the length of time to issue reports of its reviews and audits. GAO is aware that, at times, the report preparation and delivery times have exceeded a year or more. This is clearly excessive and results in less than timely communication and the transmission of data having limited management and oversight value.

A personal view is that the delay is directly related to, almost, an obsession at GAO that its reports be unbiased, complete, and above all accurate--essentially infallible. The level of review is extraordinary in relation to that imposed by major accounting and the large management consulting firms on their lead professionals. Subjecting reports to more than 20 levels of reviews, beginning with the initial draft by a field team in a regional office through to final delivery to Congress was not unusual. But, this level of review and caution takes time--lots of it. Further, with each review, qualifications are inserted and the urge to "sanitize" sections mount, possibly to the point that the published report is void of specificity and of lessened utility.

All recipients of GAO reports could benefit by GAO re-instituting, or enforcing anew, personal responsibility for its reports at lower levels in organizations, eliminating or significantly flattening the report review hierarchy and significantly reducing the reporting times. Such an initiative along with drastically improving the format and drafting of its reports was instituted by the Comptroller General, with considerable success, during the 1980s. That effort materially shortened the draft-to-delivery time, resulted in better reports, and made more and a broader levels of managers personally responsible and accountable for their reports.

Frequent oral progress reporting and regular periodic "flash" written reports are other techniques used major firms to ensure clients are currently apprised on the engagement progress and that management is provided with information for timely decisionmaking. Additionally, delivery of a firm's first draft contributes to the currency of reporting; recognizing that changes may, could and will appear in the final report, particularly if subsequent events cause the reported facts to change.

GAO-WorkLoad

Congress has empowered GAO to meet certain responsibilities on its own initiative, has imposed other specific reporting and surveillance tasks by numerous laws, and regularly directs GAO to perform Congressional-requested studies and reviews. Because of a Congressional penchant for tasking in laws many studies, reports, audits, etc., etc., it is possible that neither GAO nor Congress has a complete inventory of the legislated workload. Given the continuing nature and demands of several of these imposed responsibilities, I would suggest that GAO, in actuality, has relatively minimal discretion of where to deploy its resources.

Much GAO time and staff are devoted to honoring Committee and individual member requests for evaluation and review assistance. Other examinations of GAO, while not resulting from specific Committee or member requests, must be done to comply with mandates in laws of earlier Congresses. These latter efforts, while appearing to be self-directed, are legal requirements that GAO takes seriously. Other tasks, while seemingly self-initiated could also be rooted in a law, almost forgotten or possibly of limited concern to a sitting Congress.

Personally, I'm unable to provide an example of a GAO effort that academe might categorize as "pure or basic" or "applied" research by GAO, i.e., where the initiative is undertaken solely at the discretion of GAO.

Sampling of a cross-section of GAO engagements and projects could assist in resolving which are Congressionally imposed--through requests or laws. And, as beneficially, might identify projects of past Congresses, maybe even relatively inactive laws that are unknowingly imposing unintended workloads and a reporting responsibilities on GAO that are not desired by the current Congress.

GAOIndependence

From time to time, inquiries are made relative to the independence of GAO: Is it enough? Is it too much?

These re-examinations are useful and necessary, but should not be made in a cursory fashion nor should preemptive changes be made to GAOs independence without a complete study of the legislative history leading to the establishment of GAO by the Budget and Accounting Act of 1921--and even earlier times. Predecessor Congresses researched and studied the issue for years and addressed the lack of independent reviews of the legality and propriety of the executive branch expenditures 27 years before enacting the Act of 1921. There is a rich and extensively documented history on why Congress gave GAO and the Comptroller General its independent status that should not be reviewed in a cursory fashion.

Records document the Congressional intent on the scope of GAOs responsibility to investigate, at the seat of government *or elsewhere* , all matters relating to not only the receipt and disbursement of federal monies, but also the *application* of public funds. This responsibility included an accounting whether disbursements or

application of funds were made by a federal governmental department or agency, or state or local governmental entity, or federal contractor, grantee, university or nonprofit or other organization who received federal financial assistance.

Legislative history also clearly documents the need for the personal independent status with which the Comptroller General has been endowed. There was no doubt, in the words of the Chairman of the committee concerned with the Act of 1921, as to why independence is essential to the role envisioned by Congress for the Comptroller General. It was recorded at the time that Congress specifically desired that the Comptroller General "...should be a real critic, and at all times should come to the Congress, no matter what the political complexion of Congress or the executive branch might be and point out inefficiency."⁵

For 75 years, Comptroller Generals have enjoyed considerable autonomy, but in this long history, I know of no Comptroller General that has breached the trust Congress placed in them. Further, should this trust be violated or abused, Congress has the power to remove a sitting Comptroller General for cause and provisions have been made should this official be incapacitated, for any reason.

I do not feel this aspect of federal financial management and Congressional oversight is "broken." Without qualification, I suggest no change is needed and none should ever be made without a full exploration of why many earlier Congresses concluded that the existing level of independence was appropriate and necessary.

⁵Comments of Mr. Good, MC, in amending the HR bill later resulting in the Budget and Accounting Act of 1921.

Mr. HORN. Well, thank you very much. Those were most helpful comments, and I appreciate your perspective.

Let me start with Mr. Fosler. In your written testimony, you indicated, "that GAO work processes tend to proceed in uniform, hierarchical patterns, with inadequate definition at the outset of the objectives, methods, and type of work and cumbersome review processes at the end."

In the October 1994 report on the GAO prepared by a panel of the National Academy of Public Administration, there was a recommendation that the General Accounting Office should amend its work processes. The recommendation was that sequential, hierarchical reviews or reports should be eliminated. Instead, the General Accounting Office should have concurrent interactive reviews and encourage frequent consultation and participation of supervisors and managers throughout the whole report process.

What was the General Accounting Office's response to your recommendation? And has it been implemented?

Mr. FOSLER. The recommendation of the panel and the perspective of the panel was that the GAO should begin right from the outset establishing clear terms of reference, so that it was clear both to the requester, if there was a requester, as well as to those doing the job exactly what the objectives were, the scope of work, the methods to be used and the like. And then the work process and the review process should proceed much more expeditiously with simultaneous reviews as opposed to the series of sequential and hierarchical reviews.

I would say in general, Mr. Chairman, that we've been very pleased with the response of the GAO to virtually all of the recommendations that we've made, including with regard to work processes. And they have kept us informed of changes that they've made as a consequence of those recommendations, including changes moving toward our proposal to attempt to streamline their work processes.

We would like to learn more about the use of terms of reference and to what extent they have moved in that direction. But it is our understanding that they have made a very serious attempt to deal with the fairly cumbersome process of reviews that they've had up until the present time.

Mr. HORN. Well, are you pleased with what they have done and the elimination of some of the hierarchical review, or has it happened?

Mr. FOSLER. Our panel has not gone back specifically to look at what it is that the GAO has done. We would be pleased to do that if you would like us to do it. On the basis of what we've been informed by the GAO, it does appear as if they have moved very much in that direction.

Mr. HORN. Obviously we're going to ask the Comptroller General when he's a witness on that matter. Now, your panel concluded that, despite the rumors from time to time of a partisan bias, that they found no partisan bias. I take it, is that your view, also?

Mr. FOSLER. Yes.

Mr. HORN. One of the recommendations that the National Academy for Public Administration made was that the General Accounting Office should consistently seek written comments from subject

agencies on all reports that audit or evaluate executive activities and include responses received. To your knowledge, has the General Accounting Office implemented that recommendation?

Mr. FOSLER. Here again, we're informed that they have moved in that direction.

Mr. HORN. Do you move or do you either do it or don't do it?

Mr. FOSLER. Well, the reason I say that is because, once again, our panel has not gone back to actually determine the degree to which it has been done. And until we were to do that, I would like to reserve judgment.

Mr. HORN. As a former executive, I have very strong feelings that the executive's reaction should be printed with the audit report. Auditors can be wrong, I have found over the years in terms of programmatic audits.

Now, let me ask you, Mr. Fritz, if I might. In your work with the agencies, did you find any inconsistencies in the GAO's work or report? In other words, were they doing one thing in one place and another thing in the other? What's your sense of that?

Mr. FRITZ. I guess my direct answer to that would be no, we haven't. We have worked with GAO, as I said in my presentation, in a number of projects and a number of situations with agencies, and have not seen inconsistencies in their work.

Mr. HORN. Because, you know, in any human organization, based on reactions with some agencies, fair or unfair, there develops a sort of corporate culture that those guys don't know what they're doing over there. And at one point in time, they actually might be right and know what they're doing. But you didn't find that kind of bias in terms of GAO investigations of particular executive agencies?

Mr. FRITZ. No, but that, of course, is a bit of what I'm pointing to when I talk about the need to retain the spirit of cooperative criticism in GAO and to see to it that steps are taken to continue that spirit.

Mr. HORN. Many Members of Congress and congressional staff included do not understand how the General Accounting Office develops its strategic plans and prioritizes its work. Do you have any recommendation for the General Accounting Office and how it can do a better job of communicating with Congress?

Mr. FRITZ. I don't have any, Congressman, right now, no.

Mr. HORN. Well, if you do, we'll save a spot for you.

Mr. FRITZ. Thank you.

Mr. HORN. And we'll put it in the record. Now, as I understand it, the General Accounting Office must audit the first government-wide financial statement in 1997. Do you think it has sufficient staff to do this job and still respond fully to the many congressional requests that the General Accounting Office receives from us?

Mr. FRITZ. I'm not so sure that they do. I am one who is concerned about the level of staffing, particularly in the auditors of GAO, and most importantly in the information technology area of GAO. The people they have in those positions are quality people. But the question in my mind is the sufficiency of the quantity of those people and the difficulty that there will be in accessing additional people if and when the time comes when they need them.

I'm very much concerned about technology in addition, because with new cost accounting standards and new cost accounting systems that will have to be put into Government, there will have to be enough talent in GAO to oversee the installation of those systems. Cost accounting systems in the Federal Government are almost nonexistent. And with the requirement for performance measurements in the future, those performance measurements in large part are going to have to come from cost accounting systems and information of that sort.

Without good systems installed, it seems to me that you will not get good performance measures. And, accordingly, the whole project and the whole process will be not as valuable as it should be and must be for you and for the American people.

Mr. HORN. Before I get to Mr. Tierney, were there any comments that any of your colleagues on either side of you made to which you took issue?

Mr. FRITZ. I had none, no.

Mr. HORN. Mr. Fosler, do you have any comments about the people to your left and what they've had to say?

Mr. FOSLER. I detected a substantial degree of consensus on quite a few of these issues, Mr. Chairman.

Mr. HORN. Mr. Tierney, have you had any comments about the people to your right?

Mr. TIERNEY. No, they seem to know what they're talking about.

Mr. HORN. Very good. Very good. I never saw such a friendly group. I've got to do better on picking testimony witnesses. I was interested to read, Dr. Tierney, in your testimony that you think Congress should assist the General Accounting Office in requiring that auditors render an opinion on the adequacy of a governmental entity system of internal controls.

Now, why would Congress' help be needed? Do Federal agencies not already report in this manner?

Mr. TIERNEY. No, they don't, Mr. Chairman. When lay people read the Government audit requirements, there is a reasonable basis to conclude the controls are being audited. But in the literature, the profession and that, the auditors are required to test the controls as part of the financial statement audit. And we as a profession actually disclaim an opinion, because not enough work has been done to render an opinion on just the controls.

And when it comes to public sector entities, I believe, I think Congress in many laws of the past and the GAO believe, that the auditor controls is just as important as the financial statement. We have one piece in place now, the financial statement audit. GAO talks about testing controls and their standards. I think it's interesting that GAO did have an audit of their controls, a separate audit. At the time, they were revising the 1994 edition of the Government Auditing Standards, coincidentally, the American Institute of CPA's felt it important enough to have a separate audit of their controls, and they did. So in 1994, the AICPA itself had an audit of controls with an opinion and an audit of their financial statements with an opinion.

Mr. HORN. Well, what's preventing auditors from requiring that Federal agencies submit audited reports, including an opinion, on the agency's system of internal controls?

Mr. TIERNEY. I think it's probably their concern as the level of effort. It is a separate audit. It would be a separate program. There's got to be some costs associated. There will be some costs associated with it.

Mr. HORN. Well, is it your feeling that the auditors that now do these audits do enough work to really be able to render an opinion on the adequacy of the internal controls? How much work does one really need to do to be able to make a judgment on that?

Mr. TIERNEY. I think it's considerably more than is now required by either GAO standards or the generally accepted auditing standards for the audit of financial statements. In the standards, there is a proviso that an auditor under certain conditions may not even have to test the controls. They can do some other procedures.

So it would be a separate program, getting into the systems audits in more detail, getting—looking at maybe the administrative, as well as the accounting controls, and giving, I think, a level of satisfaction, answering different questions that just don't get addressed in a financial statement audit.

Mr. HORN. Well, should we be requiring this by law or what?

Mr. TIERNEY. My belief, Mr. Chairman, is Congress should nudge it a little bit, because we have a profession right now that wants to do the financial statement audits, has a practice they're experienced and comfortable with of testing the controls. The auditing of controls would be a separate universe.

Mr. HORN. Let's move to another subject. And I'd like all three of you to comment on this. The Comptroller General of the United States is a very important position. And we need to get the best possible person to follow Mr. Bowsher's distinguished career. How would you structure the rewards and responsibilities of the position in order to attract the best and brightest person we could? And what changes, if any, are necessary? Mr. Fosler.

Mr. FOSLER. Our panel looked at several of these questions, Mr. Chairman, and, in particular, the issue of the term of Office of the Comptroller General. And there was considerable discussion of it by the panel. But in the end, they concluded that there really was no need for any change, particularly any change that would require legislation in this regard, with the way it's structured at the present time. And I would presume that that would include their feeling that the incentives as they are at the present time are quite adequate to attract the best person that one would want to have in that job.

Mr. HORN. Mr. Fritz, does the Private Sector Council agree with that?

Mr. FRITZ. I think, in general, although I think that when you're looking for the characteristics that would be very important, perhaps the most important one to me is the desire to serve Government. I don't believe that from a compensation point of view, you're going to be able to attract people who are focused only on compensation, because I think that there is not a level of compensation that would adequately compensate someone who had that kind of an interest.

But someone with experience and self confidence that comes from experience and knowledge of the job to be done, and most importantly the desire to serve Government and the American people

would be a very important criteria that I would look for in selecting a Comptroller General.

Mr. HORN. I now yield for questioning to the ranking minority member.

Mrs. MALONEY. I'd like to thank you, Mr. Chairman. And I'd like to thank all of our witnesses for their testimony. One of the purposes of this hearing is to consider the draft GAO legislation being circulated by the Republicans. I would like each of you just to very briefly tell us if you think this legislation is needed at this time. Do you think this legislation is needed?

Mr. FOSLER. Based on the review that our panel did of a number of the items which are included in this legislation, their feeling was that there were some of these—some changes that would be desirable, but they could be accomplished without legislation.

They did have concern about the possibility of requiring a periodic reauthorization. There was a fairly specific concern there that the dynamic that would lead up to the reauthorization could become politically charged and potentially undermine the sense of credibility and objectivity of the GAO. Therefore, they believed that that would definitely be a change to be avoided.

For the most part, however, the feeling was that there are some good points that they looked at that are included in the legislation.

Mrs. MALONEY. Could you clarify what were the good points? Maybe you'd like to just clarify it in writing. But, you know, the main change is that of changing it to a cyclical as opposed to a permanent authorization. And as you mentioned, you were opposed to that. But the changes that you thought were good, can you tell us what they are?

Mr. FOSLER. One of the changes and one of the things that our panel recommended was the importance of defining how much the GAO work actually costs. And we had recommended that there be an estimate of the cost of each project, along with the terms of reference determining what it was that the project was going to do.

Mrs. MALONEY. Well, are GAO studies more or less expensive than NAPA studies?

Mr. FOSLER. We haven't done a comparison of that kind, but our feeling was that if there was a clear indication of what the cost was and if, as this legislation would require, if there was an indication of changing costs over time and the final costs, that this would be a helpful way of assessing the value.

Mrs. MALONEY. Actually, that provision was deleted from the bill that came before us today on requiring the costs. But, you know, some people have talked about privatizing the work of GAO, contracting it out to major accounting firms, for example. How would this compare in costs to the work done by GAO?

Mr. FOSLER. I think you'd have to look at specific instances and jobs and make some more explicit comparisons of costs.

Mrs. MALONEY. Mr. Fritz, do you think this legislation is needed or not?

Mr. FRITZ. I want to reserve judgment on that. I have not had an opportunity to do enough work with the proposed legislation to respond to your question, Congresswoman.

Mrs. MALONEY. Well, one of the most probably disputed or one provision of which there is disagreement and a fundamental

change is that of changing it to a cyclical reauthorization as opposed to a permanent one. Do you have a position on that?

Mr. FRITZ. I would agree with Mr. Koskinen when he was saying that it's difficult to see where the problem is, because I see the organization as it is, presently working, working well.

Mrs. MALONEY. Thank you. Would you like to comment on the legislation? Do you think it's needed?

Mr. TIERNEY. With respect to the term limits and so forth and the chairman's comment about enticing others to what might be needed to get the best into position, I think we have to be careful, because over the period of 75 years, Congress and administrations have basically supported and created one of the leading audit organizations in the world.

In the case of performance auditing, maybe the preeminent organization in that field. We do have an opinion of such just recently released by one of the world's biggest accounting and consulting firms. They did a peer review on the General Accounting Office. So, you know, I'm looking back over a career of 35 years and I'm stunned at some of the suggestions with respect to the General Accounting Office.

It has not been my personal experience or observations that this legislation is needed.

Mrs. MALONEY. Thank you, Mr. Tierney. And I have no further questions.

Mr. HORN. Thank you very much. Let me ask you about the Federal Accounting Standards Advisory Board's role, as well as its placement, structure and financing. Should Congress consider doing anything more to further this Board? Is there anything needed that gives them a little more permanency perhaps, any changes that are worthwhile? What's your feeling on that, any of you?

Mr. TIERNEY. Well, as a member of the Board and one whose term is about to expire, we have a provision to serve an initial term and 2-year terms. And all of the outside members' terms will expire this November, I believe.

Mr. HORN. Are these Presidential nominations? I just haven't looked that up.

Mr. TIERNEY. No. It's a combination of appointment by the Comptroller General, Secretary of Treasury, and the Director of OMB.

Mr. HORN. Do they each get a few to put on the Board or do they have to talk to each other?

Mr. TIERNEY. I don't know how they did that, Mr. Chairman, but they selected a great group of people.

Mr. HORN. Obviously.

Mr. TIERNEY. But I was pleased with the work that's been done over 6 years. It's work that's been done with the help of GAO, Treasury, and OMB that just hasn't happened in 200 years. A lot has been done. I would like to suggest that maybe FASAB be given a little bit more permanency; not an independent agency, but maybe something along the line that Congress created when they set up their joint financial management improvement program.

That exists as a working board or a relationship between Treasury, OMB, and GAO. And I thought maybe a structure similar to that would give it enough stature to continue the work, because it's

not done. The initial standards are almost complete. But once they start to get implemented, there's going to be continuing need for interpretations. As Congress designs new programs or changes in the—there may be changes in the accounting standards required. So that would be an ongoing effort.

Mr. HORN. Are you located within the General Accounting Office headquarters?

Mr. TIERNEY. No, physically, there is a separate building for them. I guess when you look at it, we don't have a budget. We exist as a result of this agreement between the three agencies and being jointly funded and supported, although they have supported a small, full-time staff to assist the Board.

Mr. HORN. Your own appointment, you say, came from how? How did you get that appointment, the cooperation of the three?

Mr. TIERNEY. Yes. A memorandum signed by all three executives.

Mr. HORN. All three. We'll ask the Comptroller General more about that one, or just ask the staff to put it in the record at this point so we understand the process, which I do not understand. That's my fault, not yours. Anything else any one of the three of you would like to say about this subject matter?

Mr. FRITZ. FASAB, I would like to make a comment on that. FASAB has done a rather incredible job over the course of the 6 years that they have been authorized. They have done what hadn't been done in over 200 years of the Federal Government. They've converted accounting standards that were basically a tower of Babel into consistent accounting standards across the entire Federal Government. On the private sector side, the FASAB, which may be considered the counterpart of FASAB has been struggling for years and years, almost since the beginning of the accounting profession in the United States to establish accounting standards; and continue today to work on establishing accounting standards.

My view would be that there will be issues that will arise, either because of changes in emphasis or changes in policy within the Nation that will require some adjustment, some interpretations of the established FASAB accounting standards in the years ahead. And there should be some mechanism to deal with that, so that we don't revert to a tower of Babel, or do what Government agencies have often done in the past, in the railroad industry and others, where the cookbook went out of accounting standards, went out of date and they continued to follow those old out of date standards that were meaningless on and on.

So whatever the mechanism is, I haven't given a lot of thought to it at this point. But whatever the mechanism is, there should be a mechanism to deal with some of these issues in the years ahead.

Mr. HORN. How does this process work? Does GAO develop a standard and submit it to the Board? Or does the Board have an independent staff that helps to develop the standard? How does it work?

Mr. TIERNEY. If I might, Mr. Chairman?

Mr. HORN. Mr. Tierney.

Mr. TIERNEY. There were many issues, accounting issues that FASAB, when they organized, they had on their agenda. Basically

the FASAB has decided what accounting issues were to be given a priority.

Then we organized actually governmentwide task forces, some with representatives from as many as 2 dozen Federal agencies, to help us research the subject so that we had an answer that users of financial statements could work with. Also, we had program managers helping and taking a look at this. We had representatives from OMB, the Congressional Budget Office, and staff members of congressional committees.

Once that standard was researched and written, we then distributed it for comment. We also held public hearings on the subject. After those, we concluded on what a particular practice should be or standard should be. And we submitted—it's basically a recommendation to what we call the three principals, the Comptroller General, Secretary of Treasury, Director of OMB. If they all approve it, under the CFO Act, OMB has the responsibility to actually issue the standard. And so that's the process.

To date, none of the principals, nor OMB, have taken any exception to a suggestion or recommendation by FASAB.

Mr. HORN. Have there been informed objections that were compromised out before final action?

Mr. TIERNEY. I think, yes. Not compromised out, but at times, I think maybe some of our hearings have been quite entertaining and quite interesting. And many times there isn't an empty seat at the hearing. Discussing some of these issues. And they are contentious ones at times.

Mr. HORN. I thought sometimes our hearings were entertaining, but I can't imagine an accounting hearing being entertaining.

Mr. TIERNEY. Everything is relative, Mr. Chairman.

Mr. HORN. But things do change in this world. Well, any other comments you gentlemen would like to make?

Mr. FOSLER. Just on FASAB, I would just note that it is significant that it was established by memorandum of understanding at the time of the Chief Financial Officers Act, an indication of both the ability of the agencies and the branches to work in a cooperative way and the fact that it can prove to be a highly effective mechanism.

Mr. HORN. Very good. Well, we thank each of you for your testimony. You've helped round out the picture. And now that the preliminary bouts have been finished, we now have the main ring.

Stand, gentlemen, to be sworn.

[Witnesses sworn.]

Mr. HORN. Both witnesses have affirmed. Comptroller General Bowsheer. And note who accompanies you, if you would.

Mr. BOWSHER. Jim Hinchman, who is my Deputy.

Mr. HORN. Proceed.

STATEMENT OF CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY JAMES F. HINCHMAN, SPECIAL ASSISTANT TO THE COMPTROLLER GENERAL

Mr. BOWSHER. All right. Thank you very much, Mr. Chairman I have a full statement, a 19-page statement, which I would appre-

ciate if it could be made a part of the record. And I will confine my remarks here to 3½ pages.

Mr. HORN. Without objection, it is part of the record.

Mr. BOWSER. All right. The General Accounting Office was created in 1921, 75 years ago, the culmination of a really big national debate. I think one of the previous witnesses pointed out, over 27 years. I didn't realize it was quite that long. Over who had the authority, the Congress or the President, to set the Federal budget.

In the end, the deal was struck and a compromise made. The President was given authority to propose the national budget with the help of a new Bureau of the Budget. And in return, Congress reserved the right through GAO to set up Federal Accounting Rules and to audit the executive spending. In other words, the Bureau of the Budget or the Budget staff was taken out of Treasury and given to the President at the beginning of the fiscal year. And the audit group was taken out of Treasury and given to the Congress to review how was the money really spent at the end of the fiscal year.

Now, over the 75 years that GAO has been in business, we have really evolved from being an agency of bookkeepers and clerks, which we inherited from the Treasury Department to an agency of experts in far ranging disciplines. Where GAO once employed an army of voucher clerks, we are today an agency of highly trained specialists. We have auditors and lawyers, health experts and economists, statisticians and methodologists, computer specialists, and engineers.

But if our skills and mission responsibilities have changed to meet the evolving needs of Congress and the Nation, the core of what GAO is all about remains the same today as it was in the beginning. Those who sought the creation of GAO envisioned an agency guided by stringent standards and principles. In reading the debate over the creation of GAO, the words that spring from the pages of the Congressional Record are independence, impartiality, and nonpartisan.

The principal author of the 1921 Budget and Accounting Act, Congressman James Good, an Iowa Republican, said that the Comptroller General should be placed on a plane somewhat comparable to the position occupied by Federal judges in order to remove that individual as far as possible from political considerations. The Comptroller General, Congressman Good argued, ought to be independent and fearless.

The end result of this concern for independence was a statute that permanently authorized the GAO and provided the Comptroller General with a 15-year nonrenewal term of office.

The first Comptroller General, John McCarro, set the pattern of independence and integrity that has marked GAO throughout its 75 years. He clashed repeatedly with executive branch agencies. Through the 1930's and the 1940's, there were several Presidential attempts to weaken the GAO, but the Congress stood firm.

Within a decade of its creation, the Congress had come to rely on GAO and it was not about to bow to Presidential pressure to abolish or significantly modify GAO roles and powers. The credibility that was hard won in the early days of the 1920's and the 1930's continues as a bedrock value at GAO today. GAO remains

an organization of men and women who jealously guard a reputation that's based on objectivity, fairness, impartiality and independence.

And GAO's credibility goes hand in hand with its ability to serve the Congress. It is precisely because GAO takes care to see that reports meet the highest standards of credibility that it cannot be easily dismissed. Now, what I'd like to do is just look at these four charts over here, which I also have at the back of my presentation here, to point out just what we've been able to accomplish in the last few years here.

The first chart is the financial benefits over here for the American taxpayer. And what you will see there is that in each of the last 3 years, we have achieved financial benefits of anywhere from around \$15 to \$19 billion each year.

And if you look at the next part of the chart, you will see that we have, over each 5-year period, significantly increased the financial benefits going from \$35 billion from 1981 to 1985 to \$82 billion in 1986 to 1990, and \$120 billion roughly from 1991 to 1995.

I might point out, Mr. Chairman and Congresswoman Maloney, that one of the ways we've been able to do this is we have an excellent planning process. In other words, I've broken down—as Neil Tierney pointed out, we've made some major changes in the early 1980's. And I was really building on the planning process that Elmer Staats had put in place. But we really do plan our work very carefully in 30-plus issue areas. We now share those with all Members of Congress.

In other words, Scott Foster pointed out that at the time of the NAPA review, we were preparing these, but we weren't always making them public. We do today. We make them public to anybody, Members of Congress, people in the academic world, or in industry, or taxpayers. Anybody can have a copy of whatever work we think should be done in the banking area, in the agriculture area, and in the education area.

Now, if you look down at the next chart on that page 5, over here on my left here, the second chart, what we show is the productivity that we've been able to maintain here, despite really significant staff reductions. In other words, we have come down from 5,300 to 3,600, the lowest since before World War II as far as staffing.

As you can see, we have produced in the last 3 years around 1,300 reports each year. In 1995, we were able to produce slightly more than what we did in 1994 and 1993. I might point out, though, that we had earlier made these changes so that from 1983 to 1992, we had doubled our productivity.

So we really made two big efforts of improving and modernizing GAO, those in the efforts in the middle 1980's and those that we are currently doing to produce a new standard process, which is outlined in this little brochure that I think you have up in front of you, Mr. Chairman, here. And this is a major effort that's going on right now.

I think you can see in the second part of that chart that the products issued per hundred staff-years—in other words, with a reduced staff—has been going up. In other words, with few people, we are producing approximately the same number of reports and therefore, more productive on a per staff basis.

I think one of the most important things is our testimonies. Last year when the Republicans took control of the Congress, you had a very busy first 100 days. We testified 109 times during those 100 days. And we had a total of 246 hearings.

We have been running right around 200, 250. We even 1 year hit 300 hearings here in recent years. No other agency does that, except the Defense Department. And one of the reasons we are able to do it is we use our senior civil servants as the issue area directors in those 30-plus issue areas, plus our division leadership.

And so last year, which was a fairly typical year in recent years, we had 75 different witnesses as the main witness coming over here.

Lots of times we had five GAO teams testifying before Congress on any single day. It is not uncommon to do 10 hearings in a week over here. And our career senior civil servants carry the load in that. I do a fair number each year, but I am the only Presidential appointee at GAO.

Now, if you look at the next page and on our third chart, you will see that our recommendations have been going up here. The action—these are really not just recommendations, but the action taken as a result of GAO recommendations on audit findings. And what we have generally seen over a 4-year period is about 70 percent of our recommendations being acted upon by the executive branch.

And having been an auditor and a partner in one of the big accounting firms, I didn't do any better in the private sector when the people were paying big fees for my advice, I can tell you. Seventy percent, I think, is quite good in that.

Sometimes we're frustrated in the slowness of the decision. In other words, sometimes like in the S&L crisis and some of those kind of situations, we would hope for faster action, but on balance, I think generally the Congress or the executive branch generally does address the issue.

If you look on the last chart, you'll see that GAO has been improving their responsiveness and lowering the cost of their jobs here in the last 3 years. And we hope to do even a better job once we have this new process in and completely implemented.

Now, I might just say that while I'm very proud of our record of accomplishments, I am concerned about reducing the GAO substantially below 4,000. I thought that we could take out a certain percentage of our staff because we had improved productivity so much in the 1980's. But when we went below 4,000, I shared with both the leadership, the Senate and the House my concerns, because based on years of experience as an auditor in the public and the private sectors, why, it is always a concern of how much audit coverage do you have.

And I think it will be increasingly difficult for GAO to provide Congress with assurance that proper accountability exists over Federal budget expenditures that are now over \$1½ trillion and heading up toward \$2 trillion.

In addition, downsizing GAO has resulted in loss of key expertise in areas such as financial accounting and information systems management. And I've also lost some very key people in my program audit area.

I raised this issue with the appropriations committees this year hoping that I could get a few more staff approved than what we had agreed to last year. I'm not too hopeful based on their response. I do appreciate very much Chairman Clinger's letter, which was very strong in the support of the GAO staffing arrangements there.

But still, as we move toward the 21st century, GAO must rise to two very major new challenges. We are charged by the CFO Act with auditing the first consolidated financial statements of the Federal Government in 1997. For GAO, this is an unprecedented undertaking. And I might point out, for any auditing organization, this is an unprecedented undertaking.

I think in Mr. Fritz's written testimony, you will see that when we take on these big audits of some of these major agencies, like the Army, the Air Force, the IRS, we are taking on organizations as large as General Motors. And to take on an audit of an organization that has not had an audit is a little like taking on the Ford Motor Co. in the late 1940's. And you always had great problems. And I must say that I think the GAO people have done an outstanding job.

But this is required, and we think that we can do the job and we're certainly going to give it every effort to do that.

We also, of course, have a major role in monitoring the new Government Performance and Results Act, a law that requires Federal agencies to set strategic plans and performance plans that would attract results, one that this committee, of course, is very familiar with.

Finally, I just might say that GAO intends to continue to meet the needs of Congress with work that is objective and independently derived, accurate, timely and meaningful; and present it in a way that is most useful to responsible officials. Wherever our services are required, GAO takes seriously its mission to seek honest, efficient management and full accountability throughout Government. In areas as diverse as energy and housing, law enforcement and banking, health care and education, information technology and financial management, international affairs and defense, program evaluation and methodology, GAO seeks to serve the public interest.

And as I conclude my tenure as Comptroller General, which will end 5 months from today, I would like to say how proud I have been to be associated with the men and women of GAO.

And so I think as we come to the end here of 75 years, GAO has served a legislative branch of honor and commitment. And as I prepare to retire, my overriding goal is to leave for my successors an independent, impartial, nonpartisan GAO capable of sustaining and continuing this proud tradition for the next 75 years and beyond.

I urge this committee to consider of prudence and care any proposal to fundamentally alter the very characteristics that make GAO the credible organization it is today. These characteristics, including the 15 year nonrenewable term for the Comptroller General and the agency's permanent authorization status has made GAO a success story among Government agencies.

And I believe it to be a very serious mistake to tamper with that success.

In closing, the General Accounting Office is an immense resource for all of those who believe an anonymous and accountable Government is essential to the proper functioning of our democracy.

I would be pleased to answer any questions.

[The prepared statement of Mr. Bowsher follows:]

Statement of Charles A. Bowsher
Comptroller General of the United States

Mr. Chairman and Members of the Subcommittee

I am pleased to appear before you today to discuss the work of the General Accounting Office (GAO). We welcome this opportunity to discuss the important role that GAO plays as the nation's watchdog--the agency responsible for providing the Congress with objective and credible audits and evaluations of executive branch programs and management.

GAO is justifiably proud of its long tradition of service to the Congress, its contribution to improving government operations, and the billions of dollars that taxpayers have saved as a result of its work. This year marks a milestone for GAO and a personal milestone for me as Comptroller General. In July 1996, GAO will celebrate 75 years of service to the Congress, and in September 1996 I will be completing my 15-year term of office. The GAO that I will leave to my successor will be a leaner organization. Since 1992, our downsizing efforts will have reduced GAO's workforce by one-third. At 3,500, the agency's workforce will be at its lowest level since before World War II. Still, GAO will remain an organization of highly skilled professionals that has successfully managed this substantial reduction while remaining a highly productive and effective source of information for the Congress.

Creation of the General Accounting Office was the culmination of a national debate over who had authority--Congress or the President--to set the federal budget. In the end, a deal was struck and a compromise made: The President was given authority to propose the national budget with the help of a new Bureau of the Budget. In return, Congress reserved the right, through GAO, to set federal accounting rules and to audit executive spending.

Over 75 years, GAO has evolved from an agency of bookkeepers to an agency of experts in far-ranging disciplines. Where GAO once employed an army of voucher clerks, we are today an agency of highly-trained specialists: auditors and lawyers, health experts and economists, statisticians and methodologists, computer specialists, and engineers.

Let me highlight for you GAO's success in meeting its mission responsibilities in the midst of downsizing, as well as actions we have recently completed or have underway to continue to improve GAO's ability to serve the Congress.

IMPACT OF GAO'S WORK

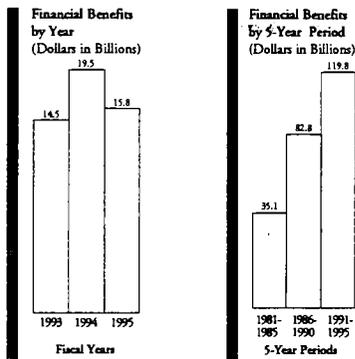
In today's challenging times, we must find ways of doing a good job even better--and doing it faster, at less cost, and with fewer people. During the 10 years beginning in 1983, GAO virtually doubled its productivity. And although budget constraints since fiscal year 1992 have required us to significantly reduce our workforce, we have maintained both our productivity and the uncompromising quality of our products and services. To amplify on how GAO has been able to provide information to help the Congress and the executive branch make decisions that have improved government operations, I will use several charts to review our service to the Congress and our contributions to the taxpayer since our last House oversight hearing in 1993. In essence, these charts, in keeping with the Government Performance and Results Act, highlight the major results and outcomes of GAO's work.

Achieving Financial Benefits

Year after year, our work has led to legislative and executive actions--budget reductions, cost avoidance, appropriations deferrals, and revenue collections--that have provided financial

savings and other benefits in the billions of dollars. Let me direct your attention to the first set of charts that shows that in fiscal year 1995 alone, these financial benefits totaled nearly \$16 billion—a return of more than \$35 for every dollar appropriated for GAO. The companion chart documents a steady upward trend in our measurable benefits in the preceding three 5-year periods. Between 1991 and 1995, financial benefits that either were directly attributable to or significantly influenced by our work totaled nearly \$120 billion, or about \$55 for every dollar appropriated for GAO. Given the importance of reducing the budget deficit, we keep financial benefits at the forefront of our work.

GAO Financial Benefits for the American Taxpayer



Illustrative examples of important financial accomplishments achieved by the Congress and the executive branch as a result of our work include efforts ranging from studies of the health care system's vulnerability to fraud and abuse which yielded billions of dollars in budget reductions and significant administrative reforms, to reports on the Department of Energy's nuclear programs that led to decisions that saved billions of dollars, including terminating construction of an uranium enrichment plant and the Clinch River Breeder Reactor; from work on inefficient and wasteful inventory management practices at the Department of Defense, which resulted in use of more efficient business practices and savings of billions, to suggested tax code changes, which resulted in billions in tax savings; and from oversight of multi-billion dollar information system modernization efforts at the Internal Revenue Service and the Federal Aviation Administration crucial to congressional funding decisions on these programs, to reorganization and streamlining of federal departments, such as the Agriculture

The chart shows reductions in both the average and the median duration and cost of GAO's jobs between fiscal years 1993 and 1995. The median is the more important indicator since it is more representative of the time and the cost of a typical assignment. As the chart shows, GAO's median assignment duration dropped from 8.7 months in fiscal year 1994 to 6.3 months in fiscal year 1995, or over 27 percent. Similarly, the cost of a typical assignment during this period dropped 29 percent, providing the Congress with more cost-effective products and services.

SETTING PRIORITIES

To optimize our usefulness to the Congress, we have taken a number of actions in recent years to better focus our efforts. For example, we have refocused the annual planning process for GAO's 32 issue areas to obtain a more complete understanding of the issues the Congress is likely to address in the next several years. We consult broadly with congressional Members and staff on both sides of the aisle, as well as with a wide spectrum of government and private experts. The resulting plans define the major issues about which we believe the Congress will need information and advice and describe the overall strategy and likely jobs that we will undertake as resources become available.

In setting priorities for our work, we give preference to committee requests made by chairs and ranking minority members, as well as to legislative mandates. We also attempt to preserve some level of resources for important self-initiated work that may not as yet have a congressional sponsor, but we believe could have important impacts on the effectiveness of government or could help avoid economic losses to the taxpayer. Over the past several years, the proportion of our staff years spent at the specific request of the Congress has ranged from 70 to 80 percent of our available audit resources.

Resource constraints have required us to continue to constantly look for ways to refine and improve upon how we set our work priorities. In this regard, we published, in March 1995, a GAO-wide strategic plan entitled Following the Federal Dollar that identified the following five broad areas of work to which we have assigned the highest priority:

- Promoting a More Efficient and Cost-Effective Government;
- Exposing Waste, Fraud, Abuse, and Mismanagement;
- Targeting Spending Reductions to Reduce the Deficit;
- Improving Accountability Through Financial and Information Management; and
- Identifying Trends With Fiscal, Budgetary, or Oversight Consequences for the Government.

Some of the benefits for the Congress from GAO's work as a result of this mission and structure are illustrated below.

GAO Audits Help Assure a More Efficient and Cost-Effective Government

GAO is in a unique position to help the Congress as it strives to reexamine the objectives and structures of federal programs and initiatives to cut the deficit. Committees in both houses have requested that GAO do work vital to their legislative agendas. Moreover, new and

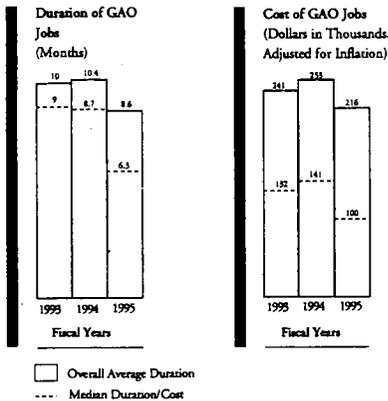
first organizations, public or private, to warn that the nation's savings and loan industry faced collapse and the Federal Deposit Insurance Corporation was rapidly approaching insolvency—developments that ultimately led to the most expensive federal bailout in American history and the rebuilding of the bank insurance fund. Also, months before Orange County, California, declared bankruptcy after officials invested public funds in risky financial instruments known as derivatives, GAO had issued a major report alerting the Congress to weaknesses in the regulation of these products. GAO's work has also led to improvements in major departments and agencies, such as the Social Security Administration, the Internal Revenue Service, and the Postal Service, that dramatically influence the public's perception of the efficiency and effectiveness of the federal government.

Improved Services to the Congress

GAO's record of accomplishment notwithstanding, we recognize that success requires continuous improvement in quality while reducing the duration of jobs and their cost. GAO's workload has become larger and more technically and analytically complex, even as budget and staff resources have become more constrained. Nevertheless, the chart below illustrates that in the key dimensions of job length and job cost, GAO's performance improved in 1995, thus providing better service to the Congress.

GAO

GAO Improves Responsiveness and Lowers Cost of Jobs



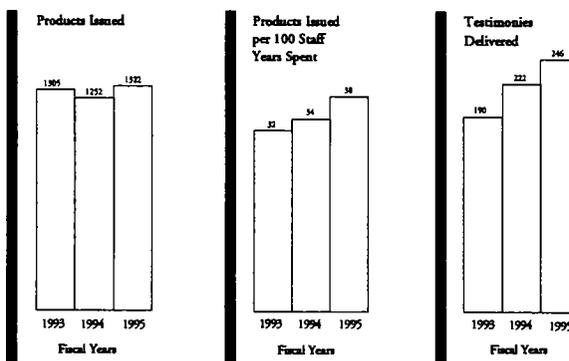
Department, which yielded billions more in savings and improved customer service. Our goal is to continue this trend. Work underway since the beginning of the new Congress is designed to achieve similar results.

GAO's Productivity Rises Significantly

The next set of charts shows how we have been able to maintain or increase our productivity levels despite budgetary reductions. In fiscal year 1995, GAO produced 1,322 audit and evaluation products that cut across the full range of government programs and activities. These consisted of 910 reports to the Congress and agency officials, 166 formal congressional briefings, and 246 congressional testimonies. The productivity level for fiscal year 1995

GAO

GAO Maintains Productivity Despite Staff Reduction



represents a 6-percent increase over that for fiscal year 1994. Moreover, when GAO's downsizing efforts are considered and its productivity calculated on the basis of output per 100 staff years spent, the product volume for fiscal year 1995 represents a 12-percent increase over that for fiscal year 1994.

Responding to congressional requests for testimony is one of GAO's most important services, and this has continued with the 104th Congress. The chart shows a steady upward trend in the number of testimony appearances between fiscal years 1993 and 1995. In fact, during the first 100 days of the new Congress, GAO officials were called upon to testify a record 109

times. In total, in the first year of the new Congress, 72 GAO witnesses testified 246 times before 112 congressional committees and subcommittees on issues that ranged from budget savings, to fraud, waste, and abuse, to proposals for reengineering the federal government. By comparison, 42 GAO witnesses testified 117 times in fiscal year 1985. This demonstrates the extent to which congressional committees are increasingly finding GAO's work relevant to and useful in addressing issues of concern to Congress. It also illustrates the increased level of expertise in our senior executive ranks.

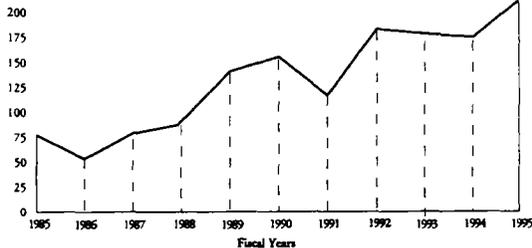
Improvements in Government Operations

Many of GAO's recommendations and audit findings result in or contribute to improvements in the effectiveness and the efficiency of government operations and services and have provided information and analyses on some of the most pressing and controversial matters faced by the Congress. As shown in the next chart, GAO documented nearly 200 of these accomplishments in each of the past several years and more than 200 in 1995.

GAO Recommendations Lead to More Effective Government



Actions Taken as a Result of GAO Recommendations or Audit Findings



For example, the Chief Financial Officers (CFO) Act of 1990 was passed after GAO audits found that federal agencies cannot account for tens of billions of dollars, that books cannot be balanced, and that lack of accountability had led to billions of dollars in waste, fraud, abuse, and mismanagement. The law now requires major federal agencies for the first time to prepare financial statements and undergo annual financial audits. GAO was also among the

continuing statutory requirements necessitate that GAO continue to play a key role in improving government accountability and management.

We believe that it is possible not only to create a government that costs less, but one that at the same time operates more efficiently and effectively. Downsizing is one way to move toward this goal, but downsizing must be carefully planned and carried out—a process that demands the kind of objective and comprehensive information GAO is uniquely equipped to gather. We have, for example, studied defense force structure in light of decisions to reduce the size of the U.S. armed forces, tracked the results of previous downsizing efforts at the Social Security Administration and other agencies, and studied downsizing approaches taken by private sector organizations.

We have a number of audits and evaluations either underway or contemplated for the coming months that could yield significant savings for the government, for example, identifying "best practices" to help streamline defense acquisition, procurement, finance, inventory management, maintenance and repair, and transportation; identifying more cost-effective ways to clean up the nation's nuclear weapons complex; evaluating major reorganization proposals facing the Federal Aviation Administration and Amtrak; and identifying alternative return-to-work strategies to reduce the costs of the Social Security Administration's disability programs.

GAO Audits Expose Waste, Fraud, Abuse, and Mismanagement

After the scandal at the Department of Housing and Urban Development in the late 1980s, as well as the "Ill Wind" scandal at the Department of Defense, we began a widely publicized effort to identify and monitor programs at risk for waste, fraud, abuse, or mismanagement. Through scores of studies and two special series of reports on "high risk" programs—the most recent of which appeared in February 1995—we have highlighted areas in which major improvements are needed to protect the taxpayers' interests. Priority work includes assessing payment practices under Medicare, where losses run into the billions annually; minimizing defaults in federal loan programs, such as student assistance and the Farmers Home Administration, where loss exposure runs into the billions of dollars; and monitoring defense programs in which billions of dollars have been spent on unneeded inventory and millions of dollars have been incorrectly paid to defense contractors.

Our highlighting of high risk programs is paying off. The most recent high risk reports confirmed that progress had been made in attacking the root causes of problems at 15 of the 18 programs we had identified through fiscal year 1994. Five of the 18—the Bank Insurance Fund, the Resolution Trust Corporation, the Pension Benefit Guaranty Corporation, the State Department's management of overseas property, and the Federal Transit Administration's grant management program—are now on sound enough footing that we have removed their high-risk designations. In fiscal year 1995, we designated seven new high risk areas, in hopes that the greater focus afforded these areas will yield progress among them as well. The areas included monitoring multi-billion dollar information technology initiatives at the Internal Revenue Service and the Federal Aviation Administration as well as assessing improvements needed in the Defense Department's financial management.

**GAO Expertise Can Help Target Spending
Reductions to Reduce the Deficit**

As the Congress works to balance the federal budget, one of its major challenges will be to cut federal spending over the next 6 years by a total of \$1 trillion or more. Every year, we work with the congressional appropriations committees to find potential savings in the administration's proposed budget, generally identifying savings in the billions of dollars. We also work with the budget and authorizing committees to find opportunities to save money by modifying, limiting, or abolishing entire programs. We have underway, or soon will begin, efforts such as reviewing the need for such Department of Energy programs as the clean coal technology program, the civilian nuclear waste program, the power marketing administrations, and the Strategic Petroleum Reserve; identifying agricultural commodity programs in which savings could be achieved; assessing discretionary programs at the Department of Health and Human Services to identify those that are ineffective or whose overhead expenses run too high; and analyzing military budget requests to identify funds Congress may want to rescind or reallocate to higher priority needs in research and development, procurement, and in operation and maintenance accounts. To help the Congress address the deficit, GAO has also recently reported over 120 options for budgetary savings based on its audit and evaluation work and many of these options were included in the House report on the fiscal year 1996 budget resolution.

**GAO Audits Improve Accountability Through
Financial and Information Management**

For more than a decade, GAO has reported to the Congress that federal agencies were lacking even minimally acceptable accounting and financial management systems. Recognizing the need for better financial management in the federal government, the Congress passed, on a bipartisan basis, the Chief Financial Officers (CFO) Act of 1990. In 1994, the Government Management Reform Act expanded the CFO Act to require major federal departments and agencies to prepare financial statements and to undergo annual financial audits.

We have a major responsibility to monitor agencies' progress under the expanded CFO act. Starting this year, the 24 largest federal departments and agencies will be required to produce auditable financial statements. Beginning in 1997, we will also have the job of auditing the annual U.S. government consolidated financial reports, which are intended to show the Congress and the American taxpayers the status of federal finances. It is crucial that CFO act implementation stays on schedule and equally important that we at GAO maintain our capacity to assist. The comprehensive, reliable data developed under the CFO act will give congressional leaders invaluable information to use in reducing federal spending and ensuring accountability among the departments and agencies. Further, the data will contribute to the effective implementation of the Government Performance and Results Act of 1993, which makes performance measurement a key element of federal program management.

We have also put considerable emphasis on the need for better information resource management (IRM). The federal government spends about \$25 billion each year on computers and information technology. It ought to be getting far greater value than it has

been for so large an investment. In 1994, we produced a widely recognized report on how 11 basic principles drawn from leading public and private sector organizations could be used in the federal government's IRM programs. The Congress has already endorsed many of these "best practices" in its 1995 reauthorization of the Paperwork Reduction Act. GAO has also worked with the Congress in passing the Information Technology Management Reform Act of 1996 to strengthen the government's information resources management programs and improve accountability for information technology investments and results.

GAO Evaluators Identify Trends With Fiscal, Budgetary, or Oversight Consequences for the Government

Numerous GAO reports have alerted the Congress and other policymakers to crises in the making--from an outdated federal food inspection system to the crumbling financial condition of the District of Columbia, from cost overruns in major weapon systems to the deterioration of nuclear weapon facilities. GAO will continue to play an important role in identifying trends that could lead to major problems for the government. Four examples: The financial services industry is growing larger and more complex, but the regulatory structure in place to protect investors and depositors has many gaps. Health care costs continue to grow at a rate faster than inflation, and major changes are under way in the delivery of health care services--most notably the emergence of "managed care"--yet the implications of these structural changes for the financially pressed Medicare and Medicaid systems are unclear. The Department of Energy's program to store and dispose of spent radioactive fuel from civilian nuclear power plants may be reaching the crisis stage; it will be the Congress's challenge to decide how to deal with this growing problem. And, while the 1993 amendments to the Social Security Act reestablished the fiscal soundness of the Social Security retirement program, workforce and retirement trends over the coming decades will put new pressures on the program. Projections show the program beginning to run annual deficits about the year 2013. Options for addressing this problem need to be acted upon in the near term in order to assure a stable retirement future for millions of Americans.

INITIATIVES TO IMPROVE OUR PRODUCTIVITY

I'd like to briefly discuss some of the investments we have made over the years to improve our productivity and better serve the needs of the Congress. Specifically, I would like to focus on steps we have taken to streamline our headquarters and field organization; improve our processes for conducting and reporting the results of our work; capitalize on advances in information resources technology; and enhance our methodological and technical skills. Changes such as these have allowed us to keep pace with the growth and complexity of government while reducing the size of our staff.

Streamlining GAO Operations

GAO understands the financial crises our nation faces and is committed to being a model government agency of the future--smaller and at the same time achieving greater efficiencies through effectively using technology and modern management principles. We have worked in close cooperation with this committee, its counterpart in the Senate, and our appropriations committees to develop strategies for reducing the size of GAO. By the end of fiscal year 1996,

GAO's staff level will be at 3,500 full time equivalent positions. This level is down one-third from 5,325 employees in 1992 and puts GAO at its lowest staffing level since before World War II.

To manage this downsizing efficiently, we are maintaining a hiring freeze imposed in February 1992. Also, we sought and obtained the authority to manage an early retirement program as well as two separation incentive programs designed to offer incentive payments to staff that volunteered to retire from or leave GAO. Furthermore, we have consolidated some of our issue areas at headquarters and have reduced the size of our field structure by consolidating or closing eleven field offices. In fact, since the mid 1980's we have reduced our field structure from 40 to 16 locations. We are also in the process of implementing a reduction-in-force of our administrative and support staff and privatizing our supply function, and are looking for other opportunities to use contract assistance. These actions will reduce the agency by over 30 percent from our 1992 level.

While we continue to be committed to managing this reduction so that the quality and impact of our work are not compromised, significant reductions in GAO's workforce carry with it some risks. If our ability to adequately audit, investigate, and evaluate federal programs is diminished too greatly, the risk exists that we will no longer be able to effectively do our job as auditors and meet our obligation to alert the Congress to emerging and recurring problems. As I testified before the Senate Committee on Governmental Affairs in last year's oversight hearing, I am concerned that reducing GAO below the level of 4,000 staff may lead to the possibility that GAO, as an independent auditor, will be unable to provide the Congress assurances that proper accountability exists over the expenditure of federal dollars as well as adequate audit coverage of government operations.

Thus far, our downsizing efforts have resulted in some imbalances in our technical expertise, particularly in financial accounting and information systems management, which are essential to carrying out responsibilities levied on us by the Chief Financial Officers Act and to support congressional efforts to reform the federal government's financial management systems. We are also carefully assessing losses in key expertise suffered in our program audit areas which will require attention.

Critical to our ability to accomplish this downsizing is our continuous improvement effort that has enabled us to focus on reengineering our job management processes and use enhanced technology to improve the way we do the work. We are tracking these efforts and implementing ways to measure progress in terms of time and cost reductions and productivity improvements.

Investments to Improve Our Work Processes

GAO knows that it must be able to produce high quality products on time, every time, and have high quality processes in place to make that possible. To achieve this, we are implementing a new standardized work process, which we developed, that is to be used uniformly throughout GAO. The process incorporates new technology and automated tools to ensure timely responses and enhanced quality in every job.

For our congressional customers, the new process means greater focus on them and a more businesslike working relationship. The result is a prompt response, early information on the proposed methodology, a delivery date, and a written commitment.

Within GAO, collaboration and teamwork are the cornerstones of our process. New approaches have been added to ensure that all staff and managers meet early and continuously on assignments to assure agreement on a job's design and messages. The new process also includes a streamlined product review phase that allows our management to tailor its involvement according to the complexity or sensitivity of the jobs, thereby maximizing the efficiency of staff time invested. Emphasis has also been placed on obtaining agency comments on all products to ensure the completeness and objectivity of GAO's reports. The new process will reduce the time it takes to obtain and address such views in our products.

This new job process will benefit all of us in several ways. First and foremost, we will be able to consistently provide a high-quality, cost-effective work product, on time. This result is ensured because the new process places a premium on communication and collaboration between GAO and our customers from the outset of a job through completion. This means not just less time wasted in rework, but more cost efficiency and reduced staff frustration.

Second, everyone will have a consistent understanding of how our work is done. Our staff will benefit from standardization and increased productivity across each of our divisions. And requesters will know how the process works from the request for services through delivery of those services. To remain responsive to new needs and suggestions, feedback mechanisms have also been incorporated into the process. As we strive to reach higher levels of performance, we will listen to both customer requirements and staff suggestions.

Our new process is scheduled to be fully operational by June 1, 1996. Once implemented, we expect this new process to enable us to achieve our goal of delivering timely, high quality reports on time, every time, at reduced cost.

Capitalizing on Information Resources Technology

As you know, advances in the information sciences, especially microcomputer technology, have revolutionized the way modern organizations function. This is especially true for organizations such as ours, in which information itself is both a major input and the principal product. Successful organizations must integrate information and technology into the very fabric of the organization itself, and we have undertaken a number of initiatives to do just that.

We have invested substantial resources in modern technology and in training our staff to use such technology. Computer networks linking all GAO have been installed, providing easier, faster, and more efficient sharing of information. We are also in the process of implementing a full-scale program for computerized data collection and analysis, which will enable our work groups to complete their assignments more efficiently by increasing their ability to share information, reuse data, manage assignments, reduce rework, and review products.

Our communications capability has also been enhanced by initiatives to upgrade telephone services and to establish videoconferencing capability in our headquarters and regional offices. The changes in our telephone services have given us communications compatibility with the legislative branch, and significantly reduced costs. The new videoconferencing equipment has allowed staff to become more productive by improving communications and teamwork and decreasing travel costs.

We also have in place a financial management package that meets the accounting principles and standards we promulgate for the rest of the federal government. The system has successfully supported production of timely auditable financial statements for nearly a decade.

Investing in the GAO Workforce

As we strive to continually improve our responsiveness to the Congress and the efficiency with which we carry out our work, our people are clearly our most critical resource, and our organizational success depends on how well we manage that resource.

The broad scope of our work requires that managers and staff be familiar with a wide range of methodologies and be able to work effectively in interdisciplinary teams. To support them, we have made a substantial financial investment in training and education for all employees. Since establishing our Training Institute in 1988, we have completely revamped the technical curriculum for evaluators and have developed new curricula for attorneys and support staff. Major effort also has been devoted to supporting specialized training in such fields as financial management, information management, and logistics and we are taking advantage of standard audit methodologies to help ensure that we consistently produce timely, high quality results. We also require continuing professional education for all evaluator and evaluator-related staff, including senior managers. They must complete 80 hours every 2 years in order to remain qualified to conduct audit or evaluation work. And we have extended similar requirements to our attorneys. We believe that these training efforts have significantly improved the ability of our staff to address complex questions posed by the Congress as well as the efficiency with which we conduct this work.

These efforts build on the foundation for effective human resource management that we laid down over the last decade: a pay-for-performance system designed to more effectively reward staff for their contributions, a revised merit promotion process, a broad-banded system to replace the rigid structure of federal GS pay schedules, and an enhanced senior executive selection and development process to ensure that our future leaders are carefully chosen and thoroughly prepared.

All of these efforts are designed to provide us better assurance that we can carry out work supporting the oversight and legislative needs of the Congress more effectively.

ACTIONS TAKEN IN RESPONSE TO THE NAPA REPORT

In May 1993, the Senate Committee on Governmental Affairs asked the National Academy of Public Administration (NAPA) to convene a panel to conduct an independent assessment of GAO's roles, mission, and operation. NAPA recognized in its October 1994 report that GAO

has been a valuable part of the federal government for more than 70 years, providing audit, research, and evaluation services to the government in general and to the Congress in particular. In addition, NAPA recognized that our statutory foundations were sound and recommended no legislative changes. NAPA also found no evidence of GAO deliberately steering its research toward satisfying particular policy or partisan interests.

The NAPA report provided a number of useful suggestions on how GAO could best work with the Congress to improve and enhance the economy and efficiency of government. GAO has taken a number of actions to better focus its work and to optimize its usefulness to the Congress that are consistent with these suggestions. For example, GAO has taken several steps to increase the transparency with which it conducts its work. Specifically, GAO formalized and distributed to the Congress its Strategic Plan. In addition, issue area strategic plans outlining the key issues and focus of planned work are made publicly available to the Congress and other cognizant officials. Congressional committees, Members and staff are also provided with quarterly listings of assignments underway in GAO issue areas to ensure that they are advised of all ongoing work.

NAPA also provided a number of useful suggestions on how we could improve our work processes for doing our work and reporting the results. Their suggestions significantly influenced the development of our new job management process discussed earlier in this statement.

In addition, an external peer review program has been implemented, adding another important dimension to GAO's program for ensuring the quality and credibility of its work. KPMG Peat Marwick recently completed an external review of our financial audit work and issued an unqualified report stating that the system of quality control for this work met the objectives of applicable quality control standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*.

Further, GAO has worked successfully with committee and subcommittee leadership to reduce the number of congressional detailees and to eliminate details beyond the 1-year statutory limitation. The number of detailees has continually decreased over the last few fiscal years from 61 detailees at the end of fiscal 1990, to 32 detailees at the end of fiscal 1993, to 15 detailees as of March 1996. This reduction has been influenced by a January 1995 House of Representatives decision to reimburse GAO for the cost of detailees.

ASSURING INSTITUTIONAL CREDIBILITY

Most of my testimony today has focused on the results-oriented framework suggested by the Government Performance and Results Act for judging an organization's performance and various management initiatives to improve GAO's ability to serve the Congress. Before closing, let me spend a few moments describing for you GAO's unique and historic role in our American system of government and the important features in GAO's legislative authority that have allowed it to evolve over 75 years into an institution that can be relied on by the Congress as a source of nonpartisan, credible information.

If our skills and mission responsibilities have changed over the years to meet the evolving needs of Congress, the core of what GAO is all about remains the same today as it was in the beginning.

Independence and credibility were the two cornerstones on which the Congress created GAO. GAO's founding legislation, the Budget and Accounting Act of 1921, was drafted to severely limit the extent to which GAO could be subjected to political partisan pressure. This is apparent not only in the act's provisions regarding the Comptroller General but also in the debate prior to the act's passage. For example, the debate repeatedly stressed that GAO and the Office of the Comptroller General were structured ". . . to make them absolutely independent of the Executive in their decisions."

Representative Good, a principal sponsor of GAO's original authorizing legislation, voiced a similar theme during floor debate.

"In creating the general accounting office and providing for the comptroller general and the assistant comptroller general, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations."

The authors of the act were concerned with insulating GAO from political pressures as evidenced by the following exchange:

"Mr. BLAND: Did not the committee contemplate that the comptroller general might not only be brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisle in Congress, and possibly both sides, in the impartial discharge of his duties?"

"Mr. GOOD: Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they criticize, their political heads will come off."

Later debate linked the drafters' concerns regarding political pressure to the limitations on the circumstances under which the Comptroller General can be removed.

"Mr. SIMS: I appreciate the attempt to take this matter away from consideration as a political matter; but does the gentleman think that the President is more likely to act from partisan considerations than would a partisan Congress, where both Houses are of the same political party?"

"Mr. GOOD: That is one of the reasons why we provided in the law the causes for removal, and the only causes are inefficiency, incapacity, neglect of duty, malfeasance in office, or some offense that involves moral turpitude."

Representative Good summed up congressional intent with respect to GAO's independence this way:

"It was the intention of the committee that the comptroller general should be something more than a bookkeeper or accountant; that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of the Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied--which is another term for inefficiency--that he would bring such facts to the notice of the committees having jurisdiction of appropriations."

The end result of this concern for independence was a statute that permanently authorized GAO, provided the Comptroller General with a 15-year nonrenewable term of office, and set stringent requirements for his removal either by impeachment or by joint resolution of the Congress for specific cause. Consistent with the drafter's intentions, the tenure and related pension provisions for the Comptroller General are similar to those for federal judges.

Once GAO was established, it was the first Comptroller General, John McCarl, who set the pattern of independence and integrity that has marked GAO throughout its 75 years. He clashed repeatedly with executive branch agencies. Through the 1930's and 1940's there were several Presidential attempts to weaken GAO, but Congress would have none of it. Within a decade of its creation, Congress had come to rely on GAO and it was not about to bow to Presidential pressure to abolish or significantly modify GAO's role and powers.

This credibility that was hard-won in the early days of the 1920s and 1930s continues as GAO's bedrock value as it prepares to enter the 21st century. GAO remains today an organization of men and women who jealously guard a reputation that is based on objectivity, fairness, impartiality, and independence. GAO's credibility goes hand in glove with its ability to serve the Congress. It is precisely because GAO takes care to see that reports meet the highest standards of credibility that they cannot easily be dismissed.

FINAL OBSERVATIONS

As the 20th century winds down, GAO has new challenges to meet. We are charged by the expanded CFO Act with auditing, in 1997, the first consolidated financial statements of the federal government. For GAO, this is an unprecedented undertaking. Never before has the federal government been subject to an independent financial audit -- something routinely demanded of every public corporation in America and which has been required for state and local governments since the Single Audit Act of 1984. Such an audit promises to provide Congress and the American people with the first reliable financial data on the operation of the federal government. GAO also has a major role to play in monitoring the new Government Performance and Results Act--a law that requires federal agencies to set strategic plans and performance measures that will track results. Together, the CFO Act and the Government Performance and Results Act hold the potential for vast improvement in the management of federal agencies and programs. GAO is proud of its role in implementing these laws.

Finally, GAO intends to continue meeting the needs of Congress with work that is objective and independently derived; accurate, timely and meaningful; and presented in a way that is

most useful to responsible officials. Wherever our services are required, GAO takes seriously its mission to seek honest, efficient management and full accountability throughout government. In areas as diverse as energy and housing, law enforcement and banking, health care and education, information technology and financial management, international affairs and defense, program evaluation and methodology, GAO seeks to serve the public interest.

Mr. Chairman, my tenure as Comptroller General will end five months from today. I cannot begin to describe to you the pride I take in my association with the men and women who have made GAO the effective organization it is today.

For 75 years, GAO has served the legislative branch with honor and commitment. As I prepare to retire, my overriding goal is to leave for my successors an independent, impartial, nonpartisan GAO capable of sustaining and continuing this proud tradition for the next 75 years and beyond. I urge this committee to consider with prudence and care any proposal to fundamentally alter the very characteristics that make GAO the credible organization it is today. These characteristics—especially the 15-year nonrenewable term for the Comptroller General and the agency's permanent status—have made GAO a success story among government agencies. I believe it would be a serious mistake to tamper with that success.

The General Accounting Office is an immense resource for all who believe that an honest and accountable government is essential to the proper functioning of our democracy. It has served our nation with commitment and dedication, pride and honor. GAO has earned the trust and respect of Congress and the American people.

United States General Accounting Office

GAO

Testimony
Before the Committee on Rules and Administration
United States Senate

For Release on Delivery
Expected at
9:30 a.m., EDT,
Thursday,
May 5, 1994

CONGRESSIONAL REFORM

Comments on The Legislative Reorganization Act of 1994--S. 1824

Statement of Charles A. Bowsher
Comptroller General of the United States



Mr. Chairman and Members of the Committee:

Thank you for requesting our views on the General Accounting Office-related recommendations of the Joint Committee on the Organization of Congress as embodied in S.1824, the Legislative Reorganization Act of 1994. Of greatest importance to GAO is the proposed repeal of its permanent authorization, which would be replaced with reauthorization every 8 years, beginning in 1997.

REAUTHORIZATION WOULD JEOPARDIZE GAO'S INDEPENDENCE

Repealing the General Accounting Office's permanent authorization would be a serious mistake. This change could subject the agency to partisan political pressure, thus jeopardizing its independence and credibility. These are the very characteristics that have made GAO valuable to the Congress, and which clearly distinguish its findings and recommendations from those of the executive branch and from those of private interests.

In fact, the agency's independence and credibility were the primary considerations in its creation by Congress more than 70 years ago. The Budget and Accounting Act of 1921 was drafted to severely limit the extent to which GAO could be subjected to partisan political pressure. This is apparent not only in the Act's provisions regarding the Comptroller General, but also in the debate prior to the Act's passage. For example, the debate repeatedly stressed that GAO and the Office of the Comptroller General were structured ". . . to make them absolutely independent of the Executive in their decisions."¹

Representative Good, a principal sponsor of GAO's original authorizing legislation, voiced a similar theme during floor debate.

"In creating the general accounting office and providing for the comptroller general and the assistant comptroller general, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations."

The authors of the Act were concerned with insulating GAO from political pressures as evidenced by the following exchange:

"Mr. BLAND. Did not the committee contemplate that the comptroller general might not only be brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisle in Congress, and possibly both sides, in the impartial discharge of his duties?"

¹H.R. Rep. No. 16, 67th Cong., 1st Sess., at 7 (1921). This quote and others contained in this statement are excerpted from a letter dated February 16, 1994 on the reauthorization issue prepared in response to a Senate Majority Leader request. (See attachment.)

"Mr. GOOD. Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they criticize, their political heads will come off."

Later debate linked the drafters' concerns regarding political pressure to the limitations on the circumstances under which the Comptroller General can be removed.

"Mr. SIMS. I appreciate the attempt to take this matter away from consideration as a political matter; but does the gentleman think that the President is more likely to act from partisan considerations than would a partisan Congress, where both Houses are of the same political party?"

"Mr. GOOD. That is one of the reasons why we provided in the law the causes for removal, and the only causes are inefficiency, incapacity, neglect of duty, malfeasance in office, or some offense that involves moral turpitude."

Representative Good summed up congressional intent with respect to GAO's independence this way:

"It was the intention of the committee that the comptroller general should be something more than a bookkeeper or accountant; that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied--which is another term for inefficiency--that he would bring such facts to the notice of the committees having jurisdiction of appropriations."

This concern for independence resulted in a statute that permanently authorized GAO, provided the Comptroller General with a 15-year non-renewable term of office, and set stringent requirements for his removal either by impeachment or by joint resolution of the Congress for specific cause.

GAO has a dual mission as both a legislative branch support agency and as the federal government's independent external auditor. To adequately fulfill these complementary roles it must continue to have the independence of action to examine any program of the executive branch, and to do so without regard to political considerations, and in a way that preserves its credibility in our governmental system.

Both I and Elmer Staats, the Comptroller General from 1966 to 1981, fear that repealing GAO's permanent authorization could destroy the sound legislative foundation created for the agency in 1921. To do so would also move in a direction opposite to that which the government is now pursuing for private sector auditors, where the executive branch and the Congress have been taking actions which would strengthen, not weaken, the independence of the external auditors in corporate oversight.

If you'll allow me to reflect for a moment, when I first came before the Senate for confirmation well over a decade ago, I spoke as an individual with substantial experience in

the executive branch in both the Johnson and Nixon administrations, as well as in a large public accounting firm. I had a healthy respect for both GAO's mission and its success in serving the Congress and the American people, and I was eager to take on the challenge of maintaining and building upon its past success. But I did not fully realize the difficulty that an agency like GAO has in effectively serving the information needs of an institution like the Congress--an institution that by its very nature is divided on nearly every issue, not only by party, but by committee jurisdiction, procedural differences, regional concerns, and economic interests.

It is a difficult task for any organization to serve the needs of such strongly opposing factions. Thus, it is a tribute to the foresight of the Congress that it anticipated this difficulty and created the GAO with a statute which charged it with an important job, while allowing it the ability to guard its independence and credibility. It is with this background in mind that I conclude that periodic reauthorization for GAO is not in the best interest of the Congress. Independence and indeed the mere perception of independence are critical to any auditor's credibility, and this is particularly true for GAO given its pivotal role in serving the Congress.

To sum up then, periodic reauthorization could:

- expose GAO to strong partisan political pressures, and/or create the appearance that one faction or another in the Congress could hold the agency hostage in order to discourage it from taking, or encourage it to take, a particular position;
- give the executive branch too large a role in influencing GAO's activities by subjecting the GAO reauthorization bill to a potential presidential veto or to other political pressure from the White House. A veto would mean that opponents comprising only one-third of the vote in the Senate or the House could prevent reauthorization; and finally
- allow a small number of Senators (or a single Senator for that matter) to threaten to delay action on a reauthorization measure until some concession were granted by either a future Comptroller General or the Senate leadership.

During the Joint Committee's deliberations we were told that reauthorization would force more systematic oversight. As a legislative agency, GAO is already subject to extensive oversight by the Congress through both the annual appropriations process and from its current authorizing committees. We welcome the oversight role of these committees. Nonetheless, as I noted in my letter to the Senate Majority Leader, I would support a requirement for biennial oversight hearings by our oversight committees as a desirable alternative to the repeal of GAO's permanent reauthorization. This could provide for more formal scrutiny of our operations on a predictable schedule by those committees which currently have jurisdiction. It would also avoid adding a fifth and possibly sixth committee to GAO's oversight process, and creating a mechanism that could threaten GAO's legislative mandate. Biennial oversight by the Governmental Affairs Committee would also be consistent with the desire of the Joint Committee to require each committee of the Congress to more systematically carry out oversight for those agencies under its jurisdiction.

I strongly urge you to delete the provision for periodic reauthorization, and I would be happy to discuss this issue personally with any member of the Committee.

OTHER ISSUES

Section 332(d) would require GAO and the other "instrumentalities" of the Congress to provide, at the end of each calendar year, a report detailing the cost of the support provided to each Committee of the Senate and each Senator. As you know, the House members of the Joint Committee explored a similar proposal and rejected it based upon the concerns raised by a number of committee chairs.

With some minor caveats, GAO presently has a time charge system which would allow us to report such costs. The first caveat is that small efforts of a few hours or a few days are not charged in a way that would allow us to identify the committees or Senator who asked for the work. However, the bulk of our resources go to larger identifiable tasks which are charged to specific job codes and which in turn are linked to specific requests.

The other caveat is that when two or more members or committees request our assistance on a single task, it would be impossible to logically break out the amount of effort allocable to each of the individual requestors.

Although the Senate bill neither describes a specific system nor mandates the use of vouchers by committees requesting assistance from the support agencies, Section 332(e) does say that the feasibility of instituting such a system should be explored.

A voucher system would create many complex problems for the congressional leadership in both political parties. For example, who would decide on the method for allocating vouchers to committees? To what would the bearer of a voucher be entitled? Would each voucher have dollars associated with it or simply the right to make a request?

One would have to assume that prior to the beginning of a new fiscal year and once the GAO appropriation was approved, some mechanism would be used to allocate vouchers to each congressional committee. Questions would then arise such as: Do all committees in both the House and Senate receive the same number of vouchers or are they allocated based upon historical usage? Do the Senate and the House split the portion of GAO resources available for request work? How would vouchers be allocated within committees to chairs and ranking minority members? Would each subcommittee get the same number of vouchers from the full committee?

Given the fact that power and decision making in Congress are diffused among the leadership and the committees and subcommittees, it is unclear how a voucher program would work. A voucher system would, therefore, most probably be administratively difficult, if not impossible, to operate.

Finally, a voucher process could, if crafted incorrectly, jeopardize the independence that is vital to GAO's mission as an independent auditor. This could happen if the process in any way limited a future Comptroller General's ability to undertake work on his or her own initiative. Thus, if the decision were made to adopt such a voucher system, some mechanism would be needed to preserve this particularly vital aspect of GAO's independence. Doing otherwise would be tantamount to "muzzling the auditor," which has had disastrous consequences in both the private and public sectors.

The last issue I'd like to address is committee oversight of federal programs and agencies. Section 381 charges each standing committee of the House of Representatives and the Senate to prepare a long-term oversight agenda for laws, programs, or agencies under its jurisdiction, and, to the extent practicable, to do this in coordination with other committees having similar jurisdictions.

Much of GAO's value to the Congress is its assistance to Congress in oversight of the executive branch. We believe that GAO could be more useful to the Congress in exercising its oversight responsibility if the committees of jurisdiction were encouraged to hold comprehensive oversight hearings on all major agencies annually or, as provided for in this bill, once during each Congress.

Such hearings could utilize agency Chief Financial Officers' annual reports, audited financial statements, and their annual reports on the adequacy of internal controls, as well as evaluation and investigative work performed by GAO, the other congressional support agencies, and the Inspectors General. Federal agencies could also report on their progress against specific goals and provide information on the kind of performance measures envisioned in the Government Performance and Results Act.

Mr. Chairman that concludes my prepared statement. I'd like to thank you for asking for our views on this important legislation. My colleagues and I would be happy to answer any questions you or other members of the committee may have at this time.

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Comptroller General
of the United States
Washington, D.C. 20548

February 16, 1994

The Honorable George J. Mitchell
Majority Leader
United States Senate

Dear Senator Mitchell:

Thank you for requesting our views on a recommendation of the Joint Committee on the Organization of Congress to repeal the permanent authorization for GAO and mandate reauthorization every 8 years.

I believe periodic reauthorization would be a serious mistake. Independence and the perception of independence are critical to any auditor's credibility. Periodic reauthorization would make GAO subject to partisan political pressures and compromise our credibility. Our legislative history clearly shows that protecting the agency's independence and assuring its credibility were critical considerations when the agency was created. GAO was permanently authorized and the Comptroller General was given a nonrenewable 15-year term to help assure these objectives.

Reauthorization would impair GAO's independence by giving the executive branch too large a role in GAO's activities, subjecting any GAO reauthorization bill to a presidential veto. A veto, in turn, would mean that opponents comprising only one-third of the vote in the Senate or House could prevent reauthorization.

As a legislative agency, GAO is already subject to review by the Congress through both the appropriations process and our oversight committees. I welcome the oversight role of these committees, and would strongly support a requirement for biennial oversight hearings.

I hope you will oppose periodic reauthorization, and I would be happy to discuss this matter with you personally. In the meantime, I have enclosed a staff paper discussing the issue in greater detail.

Sincerely,

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Charles A. Bowsher
Comptroller General
of the United States

Enclosure

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ASSURING GAO'S INDEPENDENCE AND CREDIBILITY

GAO is a legislative branch agency and the federal government's independent auditor whose operations and ways of accomplishing its basic mission are subject to congressional review and oversight in numerous ways. Recent proposals to subject the agency to more direct and immediate control, including periodic reauthorization discussed in this paper, risk significant damage to the value of GAO in assisting the Congress in its oversight of governmental operations.

Independence was the primary consideration when GAO was created by the Congress.

An essential purpose underlying GAO's creation by the Budget and Accounting Act of 1921 was to limit the extent to which the agency would be subject to partisan political pressure from either the executive branch or the Congress. Both the Act's provisions and its legislative history reflect this core purpose.

The legislative history of the 1921 Act repeatedly emphasized that the GAO and the Office of the Comptroller General were structured in order "to make them absolutely independent of the Executive in their decisions." H.R. Rep. No. 16, 67th Cong., 1st Sess., at 7 (1921). Representative Good, a principal sponsor of the legislation, reiterated this theme during floor debate:

"In creating the general accounting office and providing for the comptroller general and the assistant comptroller general, the committee was guided by a single thought, and that was that these two officers should be placed upon a plane somewhat comparable to the position occupied by Federal judges. The positions are semijudicial, and it was the opinion of the committee that we should remove them as far as possible from political considerations." 59 Cong. Rec. 8610 (1920).

As the following colloquies illustrate, the authors of the Act were also concerned with insulating GAO from political pressures emanating from Congress:

"Mr. BLAND. Did not the committee contemplate that the comptroller general might not only be

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brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisle in Congress, and possibly both sides, in the impartial discharge of his duties?

"Mr. GOOD. Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they criticize, their political heads will come off." 58 Cong. Rec. 7252 (1919).

"Mr. SIMS. I appreciate the attempt to take this matter away from consideration as a political matter; but does the gentleman think that the President is more likely to act from partisan considerations than would a partisan Congress, where both Houses are of the same political party?

"Mr. GOOD. That is one of the reasons why we provided in the law the causes for removal, and the only causes are inefficiency, incapacity, neglect of duty, malfeasance in office, or some offense that involves moral turpitude." 59 Cong. Rec. 8612 (1920).

Representative Good later summarized the congressional intent with respect to the independence of the Comptroller General as follows:

"It was the intention of the committee that the comptroller general should be something more than a bookkeeper or accountant; that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied--which is another term for inefficiency--that he would bring such facts to the notice of the committees having jurisdiction of appropriations." 61 Cong. Rec. 1090 (1921).

These congressional concerns are reflected in key provisions of the 1921 Act. It establishes GAO as "an instrumentality of the United States Government independent of the executive

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departments." 31 U.S.C. § 702(a). It provides for the appointment of the Comptroller General by the President, with the advice and consent of the Senate. Id., § 703(a).

The Comptroller General serves a 15-year term of office, and cannot be reappointed. 31 U.S.C. § 703(b). The only means provided for removal of the Comptroller General are by impeachment or by joint resolution of Congress, after notice and opportunity for a hearing, on the grounds of permanent disability, inefficiency, neglect of duty, malfeasance or conduct involving moral turpitude. Id., § 703(e). The provisions governing the Comptroller General's annuity are similar to those applicable to federal judges. Id., § 772.

Independence from partisan political influence remains vital to GAO's credibility and continued effectiveness.

GAO's independence from partisan political influence has served the agency, the Congress and the public well. In fact, during the years since 1921 the Congress has enhanced GAO's role in auditing, investigating and evaluating government programs, making even more important the need for GAO to be, in the words of Representative Good, a "real critic no matter what the political complexion of Congress or the Executive might be."

In its early days, GAO's work consisted largely of reviewing the legality of federal expenditures through the audit of individual vouchers. In this context, the agency's independence served to assure that the executive branch expended appropriations as the Congress intended. The importance of this independence is perhaps typified by the statement attributed to President Cleveland about his Comptroller of the Treasury: "[I]f I cannot change the opinion of my comptroller, I can change my comptroller." 61 Cong. Rec. 982 (1921).

The modern GAO serves the Congress through audits, investigations and program evaluations with far greater immediate relevance to the legislative and congressional oversight process than was the case in 1921.¹ GAO has no

¹Attached is a copy of an address by former Assistant Comptroller General Harry S. Havens examining in detail the changes in GAO's organization and work over the last 30 years, and discussing, among other topics, GAO's
(continued...)

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direct power over government programs and activities. The value of its work to the Congress is entirely dependent upon the credibility of GAO's reports and testimony. That credibility is, in turn, dependent upon the agency's reputation for independence, objectivity and accuracy. In recognition of this, the Congress has continued to reaffirm the importance of GAO's independence. For example, in 1980 the Congress separated GAO's personnel system from executive branch authorities, thereby eliminating the possibility that GAO's independence could be compromised through control of its personnel system when GAO reviews the activities of executive branch authorities.

Independence of the auditing function has also been embraced by state and local governments and the private sector. For the former, states assure independence by statutory provision; for the private sector, the Securities and Exchange Commission has issued regulations to achieve the same result.

If GAO's independence--or even the perception of its independence--is seriously compromised, so too would its value to the Congress and the public. Indeed, even GAO's critics do not dispute the importance of the agency remaining free from partisan political influence.

Periodic reauthorization would impair GAO's independence and could disrupt its operations by giving the executive branch and partisan political interests substantial influence over future GAO activities.

Reauthorization would do much to impair GAO's independence by creating a major role for the executive branch in GAO's continued activities. The President would have the power to veto reauthorization legislation and thereby seek political compromises or even the elimination of GAO. A veto would mean that opponents with a narrow political interest could prevent reauthorization with only one-third of the vote in the Senate or House of Representatives. Consequently, any number of political factions or interests could exercise leverage and exact concessions through the reauthorization

¹(...continued)
institutional credibility. The Evolution of the General Accounting Office: From Voucher Audits to Program Evaluations (GAO/OP-2-HP, Jan. 1990).

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process. Further, delays in the reauthorization process, brought on by political impasses, could cause temporary lapses in GAO's authorities and attendant disruption to its operations.

Reauthorization is inconsistent with the permanent nature of GAO's function.

Statutory "sunset" and similar provisions requiring periodic reauthorization are not unusual for specific programs and activities, or for agencies created to carry out a mission that is expected to be temporary or evolve over time. The basic concept of such provisions is to force reexamination of whether the program, activity or agency has completed its mission or accomplished its objectives and, therefore, should terminate, or whether statutory modifications are required in order to achieve success. Because of the permanency of their roles and programs, agencies such as the Departments of Treasury and Justice as well as their central functions of tax collection and law enforcement are not subject to periodic reauthorization. Similarly, it is difficult to see how the concept applies to a permanent agency of the government whose basic mission--assisting congressional oversight through auditing of the operations of government--has continued for over 70 years. Periodic "reauthorization" of such a permanent agency seems incongruous, if not wholly unprecedented.

Clearly, the authors of the Budget and Accounting Act of 1921 envisioned the permanency of GAO and its activities. Congress has on many occasions since creation of the agency added particular audits, investigations, and evaluations to GAO's responsibilities, and those additional functions have been directly related to the agency's original purpose. Indeed, just as none of GAO's critics has questioned the importance of its independence, none has challenged the need for the continued existence of the agency or its mission.

Periodic reauthorization is unnecessary as a means to provide oversight of GAO and to effect changes in its operations.

GAO is a legislative branch agency currently subject to oversight by the Congress in many ways. In fact, most of its activities are performed at the request of committees and Members of Congress who provide constant feedback on the value and effectiveness of GAO's work. Under current law,

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GAO submits annual reports to the Congress and to designated committees covering a wide range of subjects. Of course, GAO's operations also are intensely scrutinized every year through the appropriations process in the Senate and House of Representatives.

GAO is subject to oversight by its authorizing committees in the Senate and House, which have periodically conducted broad oversight hearings of agency operations. The Senate Committee on Governmental Affairs has commissioned a study of GAO by the National Academy of Public Administration that is now ongoing, and the House Committee on Government Operations recently conducted two days of oversight hearings on GAO. In testimony presented during the latter hearings, the Comptroller General discussed a number of recent changes made in GAO policies and practices to reinforce and demonstrate the agency's strong commitment to objectivity and nonpartisan assistance to the Congress. These changes, many of which responded to concerns raised by minority Members, provide tangible evidence of GAO's continual efforts to improve its responsiveness to the Congress and, thereby, to maximize the value of its work to the Congress and the public.

Finally, over the course of GAO's existence, the Congress has enacted numerous statutes effecting changes in the nature and scope of the agency's audits and evaluations as well as the processes by which GAO does its work. Just a few examples are: the Accounting and Auditing Act of 1950, the Legislative Reorganization Act of 1970, the Congressional Budget and Impoundment Control Act of 1974, and the General Accounting Office Act of 1980. Through these and many other enactments, the Congress addressed how GAO accomplishes its basic mission. It is hard to imagine how a mandate for periodic reauthorization could produce more active and effective oversight of the agency.

Mr. HORN. Thank you very much, General. I'm going to yield the first part of the period to the ranking minority member, Mrs. Maloney of New York.

Mrs. MALONEY. You testified that GAO had saved \$19 billion, is that correct?

Mr. BOWSHER. Well, the financial benefits are \$19 billion in 1994 and \$15 billion in 1995. And that is done on—see, we don't make a final decision on policy. Only Congress can do that and the executive branch. But our reports do have recommendations. And what we try to do is associate with what our reports and our recommendations have been used by the executive branch and that in cutting programs or reducing programs or things like that.

Mrs. MALONEY. That is truly remarkable to be able to have that type of productivity. Given the recent reductions, can GAO maintain this current level of productivity given the cut-backs in your staff and the other reduction and appropriations?

Mr. BOWSHER. Yes, I'm not sure we can, but we're certainly going to try.

Mrs. MALONEY. We have before us some legislation. One would affect the cyclical authorization changing the permanent authorization to a cyclical one. What are your feelings about this legislation and how do you think that would affect the independence of the agency?

Mr. BOWSHER. I think it's very dangerous legislation. I testified before the Senate on a similar bill back in 1994. And, Mr. Chairman, if you would please, I would like to include the testimony in the record here. But I think that two or three things that really worried me the most was that without a permanent reauthorization, you would then be sending a bill over to the executive branch where a President of the executive branch could veto it.

Also, in the Senate, you have the rules where a single Senator could hold up this kind of reauthorization. So great pressure could be brought upon my successor here as the Comptroller General and the GAO if they didn't like a particular report or a particular issue here that we were involved in. And so I think the Senate looked at this issue 2 years ago and decided not to pursue it once it had a full hearing. And I think, again, I would recommend very strongly against this reauthorization feature. I think a permanent authorization, which was put in there in 1921 is exactly the right way to do it.

Mrs. MALONEY. Particularly for independence.

Mr. BOWSHER. And especially for the issue of independence, exactly right.

Mrs. MALONEY. Now that you're about to retire, could you give us your personal views on how reducing the Comptroller General's term to 10 years would affect the independence again of GAO?

Mr. BOWSHER. Yes. I think it's very interesting when you go back there and read that legislative history leading up to 1921, how important the issue of independence was in the debate and who this Congressman Good from Iowa came up with the 15-year term as a way of achieving it. And I think there is very few congressional acts that are 75 years old, that if you look at the history of how well it's worked, this has really worked quite well because only five of us, if you take Mr. Brown out of the picture who, unfortunately,

when he was a Comptroller General, had a stroke 6 months after he was in office. So he was hardly in office.

But there's three of us that have served 15 years each. There is one that served 13½ years and one that served 10½. So that's the tenure of the five Comptroller Generals in the 75 years. And as I think some of the witnesses in the previous panel pointed out, they've all served with great integrity. There's been no scandals. And they've all guarded this independence very jealously to try to maintain the ability of the agency to do the job, to do these audits.

And one thing that I pointed out in this testimony 2 years ago was working for the Congress is not easy. You have 500 different Members of the Senate and the House, Republicans, Democrats, conservatives, liberals, people with all kinds of pressures on them. So, to do a thousand audits a year, to testify 250 times, you have to have as much independence—and that's exactly what Congressmen said there in 1921, is you can wrap around this individual and this function.

And I just think if you reduce it from the 15 years to 10 and reduce the pension, why, I would worry that you might find people that wouldn't even come and stay 10 years. That would be my biggest worry. In other words, I think the pension feature is the thing that, if any of us want to come in and do this job, once you get going, it kind of makes you make a decision whether to stay or not to stay early in the 15-year period.

So I think the combination has worked so well that to change it, I think, would be a great risk both at the progress that GAO has done over the 75 years as far as becoming a better agency every 15 years, but also in the independence issue.

Mrs. MALONEY. You are, along with the three panelists, the experts who testified earlier, they are adamantly opposed to these two provisions, is there anything in the legislation that you support?

Mr. BOWSHER. I don't think legislation is needed. I think Scott Fosler, I thought, described it very well. Their panel looked at all of these various issues. They came up with the idea that some of the areas needed improvement, like in the cost accounting area, in the better communications and everything like that. And I think we've done much of that now, but we can certainly continue to work on those issues. So I really would recommend that no legislation is needed at this time. I think the GAO can work very well.

If anything, I would recommend is if we could get a little better floor, you might say, on the budget. In other words, I think my biggest concern is that if we keep going down in size, then the ability to do audits and cover this large of the Government is what my biggest worry is about.

Mrs. MALONEY. What is your budget roughly now a year?

Mr. BOWSHER. Three hundred and seventy billion dollars—million, sorry. I served 4 years at the Pentagon. Sometimes I get billions and millions confused.

Mr. HORN. Maybe you could tell us where the missing \$25 billion is over there.

Mr. BOWSHER. Yes, right.

Mrs. MALONEY. Well, congratulations on saving the taxpayers \$34 billion in 1994 and 1995. I think that's terrific. Congratula-

tions on the independence of your agency. I personally hope that the legislation does not pass and that the independence and the permanent authorization continues. I have no further questions.

Mr. HORN. Thank you very much for those questions. They've been very helpful. I'm going to go through a series of questions here, some a little technical, some get down to philosophy. But let's start with one long-winded question.

Sometimes congressional committees make requests of the General Accounting Office to do various studies and then find when the report is issued that it's incomplete. And by incomplete, I mean that the premises used in the study did not take into account all of the relevant information or that the methodology used in the study seems flawed; as, for example, when the General Accounting Office staff do not adequately check the accuracy of certain information, but rather accept at face value what is told to them.

Now, the staff has told me of a couple of examples, which I'm going to share with you. One was where the General Accounting Office was asked to look at the management function of the Office of Management and Budget, and made no effort to test whether OMB was adequately fulfilling its statutory responsibilities. For example, sending financial reports to Congress with management summaries developed by the OMB staff, required under the Chief Financial Officers Act.

Another was in a study of the National Performance Review, NPR. Those recommendations in which no attempt was made to note that many recommendations were based on initiatives that predated the NPR or were started because of the Government Performance and Results Act. They just took for granted that if NPR claimed something, it was OK with them.

How would you respond to the criticisms that some reports GAO produces are not complete in that sense?

Mr. BOWSER. Well, let me point out that every year, we issue over a thousand reports. And I get these kinds of complaints, probably less than a dozen reports a year. Now, what I do on each of those is I generally have an independent team take a look at the report and review it. And if we think there are any problems, then we generally do the additional work that we think needs to be done; and probably issue a second report.

But, on balance, lots of times, we don't find problems with the report even after we have the second one. But we're always willing to look. In other words, if anybody has any concern about any report, we will take a second look at that report.

Mr. HORN. You heard me ask the next question of the panel. One of the recommendations that the National Academy of Public Administration made in its October 1994 report on the General Accounting Office was that GAO should consistently seek written comments from subject agencies on all reports that audit or evaluate executive activities and include the response they've received.

Has GAO implemented this recommendation?

Mr. BOWSER. We have. In fact, if you look at this brochure, you'll see that agency comments now is one of the major steps along the way. It was years back. And then we got into a situation where some of the chairmen of the committees were asking us not to get agency comments, and we, as an agency at some point along

the way, started to agree that they could have the determination. But after the NAPA report, we have gone back to getting agency comments.

Now, occasionally, we can't get written comments for some reason or other. But we always get at least oral comments and we always state in the report what—if we get the written comments, we put them right in the report and we summarize them up front. But if we get only oral comments, we also state those and check them out with the agency.

Mr. HORN. Sometimes when Members of Congress or congressional staff request work of GAO, GAO then talks to more than one committee, gets more than one request for the same work. Sometimes the requests are conflicting. What is GAO's policy in such situations?

Mr. BOWSER. Those are situations which we try to negotiate an agreed upon study. In other words, it is true that lots of times we—not lots of times, but numerous times every year, you get a topic that more than one committee or more than one member is interested in it. And everything like that. And we try to pull those together and try to get some consensus in that.

Most of the time we're successful. Occasionally we're not. And then we do separate reports.

Mr. HORN. Do you inform the member who originally suggested it and the staff what you're doing in relation to others?

Mr. BOWSER. Yes. Yes. I mean, we've dropped the ball a couple of times, I can assure you of that. But the intent is to do just that.

Mr. HORN. Do you try to get them in the same room and sit down and agree upon what you're doing?

Mr. BOWSER. No, that generally doesn't work. We generally have to deal with it. Sometimes we get them in the same room, but I have to admit that a lot of times they're not anxious to get into the same room. Sometimes they are and sometimes they're not.

Mr. HORN. Is this a jurisdictional matter between committees?

Mr. BOWSER. Sometimes.

Mr. HORN. Or is just a matter of ego of who was first suggesting the study?

Mr. BOWSER. It can be either of those.

Mr. HORN. Do you think we have egos here in Congress?

Mr. BOWSER. Yes. Yes. Based on 15 years experience.

Mr. HORN. It's amazing what the oath will do, isn't it? Please explain what you understand by self-directed. What is the difference between a self-directed and a legislatively mandated study?

Mr. BOWSER. A legislative mandated study is a study that has been mandated by a piece of legislation. A congressional request is where we get the request from the committee chairman or the ranking minority. And the third thing is what we call our basic legislative or self initiated work. And that's where we self initiate a job based on what we think is an important area to be looked at.

Mr. HORN. What's the general split between legislatively mandated, legislatively—by law, let's say—legislatively requested and self-directed and self-initiated by GAO? How roughly does that go?

Mr. BOWSER. I would say in the last 10 years, the congressional requests have ranged from a low of 63 percent to a high of 75 percent. And on the mandates, it runs right around 10 percent, some-

times 8 or 9 percent. And then on our self-initiated, it's run anywhere from 18 to 27 percent.

Mr. HORN. Do those congressional demands prevent you from doing key things you, as Comptroller General, think ought to be done?

Mr. BOWSER. Every year, I ask the issue area directors, is there any work that you are not doing that you think should be done because you have so many congressional requests? And I always make the decision to work in, if we have to, something that's important that, for some reason, Congress doesn't want it. So we try very hard not to let the congressional work squeeze out the important self-initiated work which I think is very important that we maintain that.

There are some people every once in a while who say you should only do congressional request work. But that would be a mistake, because sometimes there is just some work that the Congress is not anxious to do or have us do and we as auditors should do. And I think the mix where we have been in the last 10 years has been a fairly workable mix.

Mr. HORN. Have you looked at studies you've done 5, 10 years ago and sort of revisited them at all?

Mr. BOWSER. Yes.

Mr. HORN. What is an example of some of those studies?

Mr. BOWSER. Like, take your agriculture commodities. We do those every 5 years. We kind of time those to the farm bill. Like this year, there was a farm bill. So we generally try to do the studies. So we'll look back at that.

Certainly like on inventories in the Defense Department, that's an area that we go back every so often and take a look to see whether they're building up. Do they have a lot of obsolete inventory? Do they have a selling off of a lot of items as surplus?

We certainly have looked at some of the areas in health care that we did some years back.

So, yes, I would say there is a certain percentage of our work that reoccurs and we always check back to see what we found in the previous work, what recommendations do we make and were they followed up.

Mr. HORN. This next question was asked of the panel, also, but I'd like to ask it of you. What should Congress consider doing as regards to the Federal Accounting Standards Advisory Board's role, placement, structure or financing; or are any changes needed?

Mr. BOWSER. Well, I think it's worked very well. I must say, even better than I had hoped. Because when I worked out that memorandum of understanding with the Secretary of Treasury and the OMB, it was really kind of after a period of not having very good cooperation among the three agencies. And if you think of the Budget and Accounting Act of 1950, where the accounting really moved from the General Accounting Office to the executive branch, one of the ideas was that the three agencies would work in cooperation under what was known as the Joint Financial Management Improvement Program to really modernize the accounting and financial reporting systems of the Federal Government.

It really didn't happen for 40 years. So we got the CFO Act passed there in 1990. And I worked that out with Mr. Darman and

Secretary Brady at the time. And then when this administration came in, I must say that I've been very pleased in working with OMB and Treasury on the standards.

So I think the current system has worked very well. I think we ought to give some thought here about strengthening the arrangement.

But I would say we were lucky and maybe somewhat skillful in selecting the right people for the Board members. And it's been a big success compared to other accounting standards, bodies. I think this one has done a really outstanding job, just like the previous panel members seem to agree upon.

So right now, what I'd like to do, if I could, is come back to the committee with some ideas on that because I'd like to check with the Secretary of Treasury and the new Director of OMB. In fact, I've never really had a long conversation with Secretary Rubin since he's been Secretary of Treasury on this subject, because it's been working and he's just accepted it and things like that. So I really probably need to do that in the next month or two.

Mr. HORN. Good. We'll reserve a place in the record for how that dialog results. Some worry that maybe some GAO personnel over time will establish very close working relationships with Members of Congress. And they might have a pet project they want to do. And they sort of job shop that idea to a Member of Congress. Has that been much of a problem?

Mr. BOWSHER. It's a problem. It has been. I think it's true in all internal audit organizations in the corporate world and in Governments.

One of the reasons we have this strong effort on our planning processes is to make sure that's not happening to the best of our ability; to make sure that the work we are doing is important and that we just don't get into what you might call as a cozy arrangement or something like that. I don't deny that it has happened, but we work hard to try to make sure that the work is meaningful work, important work, not just going out and redoing the audits of the same thing because somebody was personally interested in it. And I think these charts indicate that we've been quite successful.

Also, we have a very elaborate review process. When I came into office, I instituted a weekend review by our senior executives of all new job starts. In other words, every weekend all of us take home the job starts package and look it over. So it isn't that just somebody down in the organization can get that approved without oversight.

They have to get their issue area director to approve it, the division and then the senior leadership. And we do that every week.

Mr. HORN. You heard the comments that apparently this legislation says, well, we ought to know how much does a particular study cost. Do the GAO staff report the time they spend on projects or keep logs related at the time?

Mr. BOWSHER. We do, but really are in the process of trying to improve the cost reporting system. We've had an old one for some years. And it really needs to be improved. And we're in the process of doing that, so that we can have better cost accounting than what we've had.

Mr. HORN. The reason I want to get into a little specifics on this is that when I was a senior fellow at the Brookings Institution about 30 years ago, I remember I kept very detailed records of how much time I had spent on the two projects I was working on. And in a flurry, the director of the division secretary came down to see me after I had put 3.5 hours that day for that, 2.5 hours for that. And she said, we don't do that here. Just put in 8 hours. So you never know.

How does GAO determine and keep track of some of these staff hours and do they relate a cost to it based on level in the organization?

Mr. BOWSER. Yes.

Mr. HORN. Is there a flat number that includes overhead or what?

Mr. BOWSER. No. We've gone to a banded system at GAO. We have band one, band two, band three. And then the senior executive service. And what we are doing is costing out by those bands. And then, of course, we add the overhead factor on.

Mr. HORN. What is the overhead, what percent?

Mr. HINCHMAN. We can provide that for the record.

[The information referred to follows:]

Insert for the Record**Information on GAO's overhead rate?**

GAO maintains resource utilization figures, which account for all staff, that compare direct time charges on work essential to conducting audits, evaluations, and investigations to indirect time charges. For fiscal year 1995 and 1996 to date, GAO charged 72 percent of its time to direct time and 28 percent to indirect time. Included in the indirect time charges is GAO's training investment (5 percent) that every professional, knowledge based organization must make. Also, included in this category are all of GAO's senior executive time charges, most of which relate directly to mission support and time charged by administrative staff directly supporting the evaluators working on GAO assignments.

We are in the process of developing an improved means of collecting information on individual time charges to assignments. For example, we are developing the means to collect time charged to assignments based on the band or grade level of the staff assigned rather than our current practice of using the same staff day cost for any individual on a job. We also plan to institute a practice where our senior executive ranks will use more specific direct and indirect time charges covering their varied management and oversight responsibilities. In this way, we hope to improve the recording of assignment costs and position the organization to more accurately reflect the cost of individual GAO assignments.

Finally, due to budget constraints, GAO plans to reduce its staffing level to 3,500 by fiscal year 1997. As part of its plans, actions are underway to significantly reduce GAO's overhead resources and expenditures. Once completed, GAO expects that 3,000 of its staff will be assigned to headquarters and field mission organizations. The remaining 500 staff or about 14 percent will be assigned to support and staff offices responsible for managing GAO's information technology, training, building security, budget, financial management, personnel, public affairs, and other human resource management needs.

Mr. HORN. Provide it for the record. Some universities, as you know—and I don't agree with them—have 100 percent overheads and some have 60. State universities usually have about 40. So I'm just curious what yours is.

Layers of review have worried some people. How many things you've got to sort of jump the hurdles down there. How many layers do you see between you and the person that actually prepared the report?

Mr. BOWSHER. Our typical team is made up of a staff person or two or three or whatever it takes. And EIC. That's a person in charge of that engagement. And then we have our band three's that review it. Those are the assistant directors.

But lots of times, the assistant director is very heavily involved in doing the work. One of the things we've done is we've flattened our organization here a great deal.

And then they have to bring it up through the issue area director. And then on many of the reports, they come up to our senior level here and take a look.

So we have about three basic, four basic levels of review. Except if you get a very sensitive report. Like 2 years ago we issued a report on derivatives, which, being from California, I know about derivatives in Orange County and that. It's a tough area to understand. It's a tough area, especially in those days, to meet with all of the bankers and the brokerage firms that were selling those documents, even to understand them because they were creating new ones every week. So that job took us 2 years. And I can guarantee you I must have had 20 people reviewing that report, including some people outside the organization.

So when we hit something that is very sensitive, very tough to understand, we have additional review. But I think any management consulting or big six accounting firm or law firm would operate in the same way. We certainly did at Arthur Anderson when I was there.

Mr. HORN. Well, is there a way to get really only one or two levels between the person that researches it and the sign off?

Mr. BOWSHER. That's what we're working on with this process. We're trying to get this process down, get more investment at the beginning of our senior leadership. And then to have fewer people having to review it, but also have it in better shape at the end. In other words, one of the things you have to do when you try to improve a process in this type of a business is what you're trying to do is build the quality into the work as it's being done, into the first draft as it's being done, so that you don't have to do a lot of rework at the end. And this is my last big effort to standardize the processes at GAO.

Mr. HORN. As you know, in essence, the GAO is much like Brookings or like a good publisher in New York. You have an author and you have an editor. And there is that relationship. I have found editors are immensely helpful, because the author usually cannot see those relationships. A good editor can. And I would think part of your review process is to ask, logically, "Does this case hold together?"

Mr. BOWSHER. Absolutely.

Mr. HORN. And then the question would come, "Is somebody trying to worry about some gavel banging chairman that this is going to and will this rub his feelings the wrong way? Or are you trying to feed those chairs, be they Republican or Democrats, what you think they want to hear?" Because I don't think you should feed them a damn thing, except the truth.

Mr. BOWSER. I agree with that 100 percent. And I think that you have to have a very thorough review process by people that have not been involved in doing the work. I have often used as an illustration to the GAO people: When Teddy White was sent back to China to review and interview all of the leaders of the Chinese Revolution that he knew as a young man, when he came back, they had all kinds of editors. It told how they reviewed his work at the beginning of Time magazine.

But even though he was by far the most knowledgeable person on that subject, they didn't want his memory to be clouded maybe. And they wanted the facts.

You want to make sure that you've got the evidence to support what you're saying. You want to make sure that you've got evidence to support any recommendations or any conclusions you've got in that report. And you don't want somebody to drive through your system a personal view on something unless it can be checked out by other people to make sure it's absolutely right.

So reviewing these reports, which are on some of the biggest issues facing our country, it has to be very, very thorough.

Mr. HORN. Have you ever felt a couple of months after you've signed off on a report that, I should have done something different with it?

Mr. BOWSER. I always get worried when something happens. You say, well, Jesus, did we consider that? Sure, sure. Now, it doesn't happen too often.

Mr. HORN. Well, in 15 years, how many times has your conscience bothered you?

Mr. BOWSER. In 15 years, I can assure you, yes.

Mr. HORN. I know it's two times.

Mr. BOWSER. No, no, it happens. And we worry about it. Jim here has more than once gone back and gotten Dexter Peach, who was my top Assistant Comptroller General for reviewing programs. And we worry and check it out all the time. This is a job that gives you gray hair as you're trying to issue a thousand reports and do 250 testimonies. Are you right? Do you have all of the facts? Are you presenting it properly? It's not easy.

Mr. HORN. Well, what have you done to insulate that process so they are sticking with the facts and they are going out and doing further work? Or do time deadlines really hurt the product you're trying to put out because people are breathing down your neck to get the report in?

Mr. BOWSER. The time deadlines are always a pressure on you. But I've always said that I don't want to issue anything that's wrong or not properly supported just to make a time deadline. But we do try to be timely. And that's where we can get into a conflict. I think we'll always get criticism for sometimes not getting a certain report out on time.

The derivatives report was a good example. I remember going to testify before the Banking Committee and the chairman said when are we ever going to see the derivatives report. But it was a very tough issue to understand and to get written properly.

Mr. HORN. Let's talk about the role of the Deputy Comptroller General. That's an appointment made by the Comptroller General?

Mr. BOWSER. It has been during my tenure because I could not get the congressional leaders and the White House in agreement on who it should be. It is by law a Presidential appointment. But we ran into trouble early in the Reagan administration where James Watt, the Secretary of Interior, tried to impose some lawyer in his organization on it when many in the Congress were dubious of some of the things he was doing. And so we came to a standstill and never quite got that standstill worked out. I had an excellent deputy. I had Milt Socolar, who had been at GAO for 40 years, just an outstanding individual. And I just worked right along with Milt Socolar. And then when Milt retired here 2½ years ago, I asked Jim Hinchman to take the position.

And it's worked very well, as it has. But I would hope maybe in the next go-around that they could have the Deputy in as a Presidential appointment.

Mr. HORN. So, in essence, there are two Presidential appointments in the General Accounting Office?

Mr. BOWSER. Yes, that's correct.

Mr. HORN. If one is blocked and you can't get them to agree and the President to nominate one, you do have the authority to fill that appointment with a Deputy? How do you do it?

Mr. BOWSER. Well, we never have called the person the Deputy. We just have somebody kind of be my No. 2.

Mr. HORN. But he isn't called Deputy Comptroller General?

Mr. BOWSER. He's not called Deputy, no.

Mr. HORN. And you just leave it vacant, in essence.

Mr. BOWSER. Yes.

Mr. HORN. What's the Presidential level that that position is noted to fit?

Mr. BOWSER. It's a three.

Mr. HORN. It's a three and you're a two?

Mr. BOWSER. That's correct.

Mr. HORN. The Director of the Budget is a two or a one?

Mr. BOWSER. It used to be two for many, many years. When Mr. Darman was there, they elevated it to one and a principle that he was now a member of the cabinet.

Mr. HORN. I see. And presumably one could say the Comptroller General of the United States ought to equal the Director of the Budget, I would think.

Mr. BOWSER. My predecessor, Elmer Staats, strongly believes that.

Mr. HORN. So that's something we might tinker with then on that point. You've got totally a career service, really, don't you?

Mr. BOWSER. That's correct.

Mr. HORN. Have you found it difficult to get responsiveness out of the organization with that career service? Or do you think the Comptroller General should have several other appointments, perhaps division heads, et cetera, that—in essence, you're appointing

them all now. But should the President then have any other appointments, besides the principal deputy?

Mr. BOWSHER. No, I don't think so. I think the way it is set up now works very well and has worked historically well. And I think, personally, we've created too many Presidential appointees in many of the other agencies of Government. I think we're better off to keep that small and to really utilize the senior executive service, which I have found to be useful. When you talk about the flexibility of the senior person to assign people the leadership roles, I think the change that was made going from super grades in the Government to the senior executive service has worked very well at GAO in my estimation.

Mr. HORN. Let me just ask you a few things that turned up on a survey that was done in the House recently on GAO. GAO was criticized by some in Congress for being pressured by the majority to refer former White House aide, David Watkins, to the Justice Department for prosecution. For the record, was GAO pressured to make that referral or was it supported on the merits?

Mr. BOWSHER. Very much supported on the merits. My lawyers wanted to make that referral. And Jim, you might add to that, because you supervised that very closely.

Mr. HORN. Go ahead, Mr. Hinchman.

Mr. HINCHMAN. One of the principal issues in that review was a requirement that we determine the circumstances that had led to the decision to dismiss employees in the travel office shortly after the current administration took office. Mr. Watkins' statements to us were at the heart of that review and critical to the conclusions we reached. After we had issued that report, subsequent release of other documents, particularly a memorandum prepared by Mr. Watkins suggested that there were direct inconsistencies between statements made in that memorandum and statements made to us.

I think it went to the heart of the integrity of our audit process and that the referral was appropriate to vindicate our responsibilities and the law.

Mr. HORN. Were there ever any other cases like that where anybody, majority, minority, were pressuring you on the Hill one way or the other?

Mr. HINCHMAN. No, sir. I don't think we have any situations in which we have been pressured to take that kind of action by a Member of Congress.

Mr. HORN. Let me ask sort of for whom does GAO work? The majority requests certain studies. The minority requests certain studies. Now the minority is the Democrats. For 40 years, it was the Republicans. To whom does GAO listen in a situation where the majority of the committee wants something studied and the minority of the committee wants something studied? What do you do?

Mr. BOWSHER. We will do studies for either the chairman of the committee or the ranking minority. And in my tenure, we've never got into much of a debate where a chairman says, I don't want you to do a study for the ranking minority.

I've had chairmen who weren't familiar with our procedures say, you shouldn't do work for the minority. But I have always pointed out to them that historically we have and it's important to do it on

a nonpartisan basis here. And people then generally agree. So we've worked it out on that basis.

Now, generally, what happens is whatever party is in the majority, we generally do by far the most work for because they can hold hearings and do more with the reports. So there is no question that generally when a party is in the majority, we will do a much greater percentage of work for that party than we do for the party that's in the minority.

Mr. HORN. When a majority chair requests a report, do you notify the ranking minority member? And vice versa; when the minority, ranking minority member requests a report, do you notify the majority chair?

Mr. BOWSHER. We do through the quarterly reports.

Mr. HINCHMAN. Yes, we quarterly provide a listing of all of the work that we have under way in the committee's area of jurisdiction to all sides.

Mr. BOWSHER. A few years ago we weren't doing that and we came under criticism.

Mr. HORN. Is that just provided to the ranking chair and the ranking minority member; or is it provided to Congress generally, what you're working on?

Mr. HINCHMAN. It's provided to Congress generally. That's information available to the public.

Mr. HORN. You heard me mention earlier the Civil Rights Committee and its authority not only of granting the oath, but also the subpoena power. Tell me to what degree you have the authority to ask a Federal agency under oath or use a subpoena? And how does it work in the case of the GAO? Who do you have to see to get it? Can you initiate it on your own?

Mr. BOWSHER. We got new legislation. And my predecessor, Elmer Staats, was able to get some legislation in 1980 that gives us access to records. And if we don't get access to records, we have what's known as a 20-day rule or letter we might call it, where we can actually ask the White House and OMB to produce that.

Mr. HORN. Even though this is in a cabinet department, you go through the White House and OMB; or do you go directly to the cabinet secretary?

Mr. BOWSHER. We always deal with the cabinet secretary up until the point where they're refusing to give it to us. Then we go to the White House and OMB with this 20-day letter.

Mr. HINCHMAN. There are certain specific circumstances under which the President can decline to allow us access, essentially relating to, for example, national security matters. But, in general, we have a right of access to see records and we can vindicate that in the courts after we've been through this formal notification process.

Mr. HORN. Since you audit the Department of Defense, do you also audit the CIA?

Mr. BOWSHER. No. We are excluded from two functions of the Federal Government, you might say. We have audit on every other part and we can follow the Federal dollar wherever it goes, except the CIA. And we are not allowed to look and review the foreign operations or the money market policies of the Federal Reserve.

We can, as you probably have read recently, review the Federal Reserve's operations, but we cannot review the open market policy committees deliberations. And we can't do the CIA.

We do all of the top secret parts of the Defense Department, the National Security Agency and those others there. And from time to time, Congress has considered legislation, but never passed it to ask GAO to audit the CIA.

Mr. HORN. What is the premise on which the Federal Reserve Board was excluded? And how was this excluded, by law or what?

Mr. BOWSER. The history is that it was excluded totally for many years. But Congressman Wright-Patton from Texas, chairman of the House Banking Committee, thought that GAO should have total audit authority over the Federal Reserve.

Arthur Burns was chairman of the Fed in the mid-1970's. And my predecessor, Elmer Staats, worked out this kind of an arrangement and it was put in law.

Mr. HORN. What was the fear of auditing the open market process?

Mr. BOWSER. The Central Bank, the Federal Reserve claimed that other countries don't let their national auditors audit the Central Banks. And, therefore, the central banks can work easily with each other and not be worried that their national auditors will be coming in or that they will be providing information to their legislative bodies.

Mr. HORN. Let me ask you, do you audit Fannie Mae, Sally Mae and all of the other little Mae's?

Mr. BOWSER. Yes. We don't do them too often, but we have the authority to do them, yes.

Mr. HORN. When did you last do it?

Mr. BOWSER. Well, we're about to issue a very big report on them. The last one was 4 years ago maybe.

Mr. HINCHMAN. Approximately. We can provide that for the record.

Mr. BOWSER. Approximately 4 years ago.

Mr. HORN. So you've had a study under way, then.

Mr. BOWSER. Yes.

Mr. HORN. And you're about to issue a report on it.

Mr. BOWSER. Yes.

Mr. HORN. Which agency are you issuing a report on?

Mr. BOWSER. Fannie and Freddie. And we've done work on like student marketing and the other GSE's, historically. That's one of the areas, with fewer resources, we're probably not going to be able to do as much coverage as what maybe we've had in the last 5 or 6 years.

Mr. HORN. When we made the recommendation in our report issued, I believe, last December, recommending an office of management in the White House or in the Executive Office of the President, and several others, we had one line in there where a member of the minority leaked the report in advance. And, lo and behold, lobbyists popped up everywhere from one of the many Mae's, that this was a great threat on them. That just, of course, whetted my appetite to wonder what kind of games are these people playing. So I'm glad to know you've got a report coming out.

Is there any problem that you've seen over the years there one way or the other? Is there any problem we have?

Mr. HINCHMAN. With respect to the GSE's.

Mr. HORN. They think they're a separate empire.

Mr. BOWSHER. Right. I think you have a big issue on whether they should be privatized or not. And that's what this report, which was mandated by Congress, is going to address.

Mr. HORN. Which committee mandated it?

Mr. HINCHMAN. I believe it's a statutory mandate.

Mr. HORN. It is?

Mr. HINCHMAN. Presumably out of the Banking Committee.

Mr. BOWSHER. I think out of the Banking Committee, yes.

Mr. HORN. I understand apparently Congressman LaTourette, whose bill has been referred to—it is his bill, not the Republicans, not me. I don't know what will happen to his bill. But apparently the General Accounting Office, I'm told, probably wrote titles II and III of the draft bill. Are those sections supported by the Comptroller General?

Mr. BOWSHER. Well, they're supported if we don't get title I.

Mr. HORN. It's title I that's your problem.

Mr. BOWSHER. Yes. In other words, our lawyers have been working with them on title II and title III. But I would be more than willing to give up title II or title III if there is any effort to move title I, because I worry about the independence issue.

Mr. HORN. Well, I do, too. And I think you and I have discussed this. And I think we should keep you as independent as you should be. And I only get worried if I think somebody is playing games with either party in this Chamber. I think you've got to come in here and you tell it like it is. And if they don't like it, that's just tough. And the same with the cabinet officers, the same with committee chairs or the ranking minority member. That's where your credibility comes from, is that you call them like it is. And that's why you have a 15-year term. That's why you have a pension equal to your salary, because we hope somebody with independence doesn't leave.

On the other hand, if the Comptroller General is not going to be independent, goodbye.

So let me just note here that if there are any other points that you want to make that we haven't brought out in this hearing, that's really my penultimate question.

Mr. BOWSHER. We have pulled together a summary of the major financial benefits that support these charts. So if I could maybe insert that in the record?

Mr. HORN. Let's insert that in the record. Yes, I wondered if they were coming out of the air. They looked like nice graphs, but where is the back-up?

Mr. BOWSHER. Right.

[The information referred to follows:]

GAO'S CONTRIBUTIONS TO IMPROVE GOVERNMENT

GAO's work contributes to legislative and executive actions resulting in very significant financial benefits to the American taxpayer. These benefits include budget reductions, costs avoided, appropriation deferrals, and revenue enhancements, which can either be directly attributable to, or significantly influenced by, our work. In addition, our recommendations and audit findings have resulted in many improvements in government operations and services and have provided information and analyses on some of the most pressing and controversial matters faced by the Congress.

Illustrations of important monetary and non-monetary accomplishments follow:

Financial Benefits

Many of our recommendations, when implemented, result in very significant financial benefits to the American taxpayer. For example:

- GAO has done significant work in the health care area identifying unnecessary costs and recommending needed changes. Congressional action based on GAO's work has yielded billions of dollars in budget reductions. Over the past several years, our reports and testimony on the health care system's vulnerability to fraud and abuse stimulated legislative activity and helped focus the debate on significant administrative reform.
- GAO's reports on the enriched uranium program contributed to the Department of Energy's decision to abandon a plant, thus saving about \$3.5 billion. Also, our reports on the Clinch River Breeder Reactor, covering virtually every important aspect of the project from its escalating costs to its future place in the nation's energy strategy, played a pivotal role in the Congress' decision to terminate the project.
- GAO, in conjunction with Israel's State Comptroller, raised serious financial and affordability issues associated with the U.S.-funded development of Israel's multibillion dollar Lavi fighter aircraft, which ultimately led Israel to stop further development and production of the program.
- The Congress reduced the Defense Department's 1993 budget by over \$600 million following GAO work examining the rate of inflation that the Department used in their budget submission. Inflation was at its lowest levels in years, and we pointed out that the Department's estimate for inflation was overstated.
- In 1994, the Congress and the Department of Agriculture began a long-term effort to reorganize and streamline the Department. We helped the Congress and the Department by providing a series of reports identifying structural problems that, if addressed, could lead to greater efficiency, effectiveness, and cost savings. Over the next five years, the Department will be reducing the number of its agencies from 43 to 29, federal staff years will be reduced by over 13,000, and closing and consolidating 1,170 field offices. Changes to the Department will result in an estimated \$1.2 billion in cost reductions in fiscal years 1995 and 1996.

- In 1993, the Congress changed the tax code that allowed American corporations in U.S. possessions, such as Puerto Rico, tax incentives for creating jobs. Studies, such as GAO's 1992 report, had shown that a disproportionate share of the tax benefits went to industries that generated relatively few new jobs. The Congress placed a limit on the incentives, resulting in an estimated \$1.3 billion in tax savings during fiscal years 1994 and 1995.
- GAO has long criticized the Defense Department for its inefficient and wasteful inventory management practices. In 1993, we testified that Defense had so much excess inventory that billions of dollars could be saved. In a number of actions since that testimony, the Congress has reduced the Defense inventory by \$2.9 billion, and Defense is working toward using more economical business practices in handling spare parts and other inventory items.
- GAO has long advocated the establishment of a fund allowing the Energy Department to recover future clean-up costs in its prices for enriched uranium from its three aging uranium enrichment plants. The federal government had been enriching uranium for more than 30 years but had not been able to charge its commercial customers for the eventual dismantlement of the plants. The Congress corrected this by passing the Energy Policy Act of 1992 and, over five years, this benefit will total an estimated \$792 million.
- The Air Force requested \$2.7 billion in fiscal year 1993 to procure C-17 aircraft. We, however, had reported many problems with the aircraft over several years: costs continued to increase, the schedule delivery dates kept slipping, and performance questions remained. In response, the Congress slowed the rate of aircraft procurement and cut the program's funding by \$658 million.
- GAO reported to the Congress that diesel fuel not environmentally suitable for highway use could be indelibly dyed at the refinery. Thus, by allowing earlier identification and separation of potentially taxable fuel, fuel tax evasion should be reduced. The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) moved the motor fuel tax collection point to earlier in the distribution system, increasing excise tax collections by a total of \$1 billion in fiscal years 1994 through 1998.
- GAO reviewed operations of the newly established Defense Business Operations Fund and raised concerns that two policies would have resulted in the Fund's customers paying higher prices for the goods and services received. One policy resulted in adjusting prices to recover accumulated operating losses; the other charged customers for depreciation associated with military construction. These two policies could have resulted in an excessive cash balance in the Fund; and, consequently, the Congress reduced the budget by more than \$1 billion.
- GAO documented major problems in the developmental and operational testing of the Bigeye chemical bomb and raised serious questions about whether the bomb could function. As a result, the Congress required additional testing and barred full-scale production until the weapon met test requirements. In mid-1990, Defense canceled plans to produce the bomb as part of a major arms control agreement with the then Soviet Union, at a savings of \$660 million. Former House Foreign Affairs Committee Chairman Dante Fascell said that GAO's work, "made an important contribution to the bilateral chemical weapons agreement between the U.S. and USSR."
- Recommendations to restructure the B-2 bomber program resulted in budget reductions of \$1.1 billion in fiscal year 1991 and an average reduction of \$4 billion over the next three years.

Also, our work on the C-17 cargo plane and Seawolf submarine was used extensively in congressional deliberations on those systems.

- GAO's oversight of tax systems modernization found that the government's investment of what could be more than \$8 billion and IRS's efforts to modernize tax processing are at serious risk due to pervasive management and technical weaknesses that impede modernization efforts. This work was critical in helping the Congress make funding decisions and providing IRS impetus to address these problems.
- Initially, GAO alerted the Congress to the overall cost of the Persian Gulf War and later concluded that the war could be completely financed from allied contributions. As a result, in 1992, the Congress rescinded \$14.7 billion from the taxpayer-financed Regional Defense Fund.
- In 1991, GAO said that the Congress should consider changing tax law to provide for amortizing purchased intangible assets, including goodwill, over specific cost recovery periods. In 1993, the President changed long-standing tax policy by signing legislation providing for the amortization of certain acquired intangibles, including goodwill, over 15 years, at a revenue gain of \$2.45 billion over five years.

Non-Financial Benefits

In addition, much of our work has helped alert the Congress to emerging problem areas and has provided information and analyses on some of the most pressing and controversial matters faced by the Congress. Some examples follow.

- GAO first began alerting the Congress in the mid-1980s to the growing problems in the thrift industry. We continuously monitored the management and costs of the nations savings and loan crisis. In response to legislative mandates and requests from committees, we did extensive work that enabled us to recommend numerous legislative and regulatory reforms. Many of these reforms were enacted in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and the Federal Deposit Insurance Corporation Improvement Act of 1991.
- GAO was in the forefront in alerting the Congress and financial regulators to gaps and weaknesses in the regulation, accounting, and management of derivative products that potentially could threaten financial system stability. As a result of hearings on this issue, financial regulators have taken action to reduce risks presented by these products. Just as important, the financial services' community has taken a much more critical look at the use of derivatives and has begun taking action to reduce these products' inherent risks. Furthermore, the accounting profession is taking action toward better accounting and disclosure for derivative products, as we recommended.
- We revealed serious financial management problems as we performed the government's first financial statement audits of the Internal Revenue Service, the U.S. Customs Service, and the Federal Guaranteed Student Loan Program, with the result that the cognizant agencies are taking numerous actions to improve the financial reporting and the quality of their underlying financial and program data.
- Through a series of financial audits and program reviews, GAO alerted the Congress and the Resolution Trust Corporation (RTC) to a number of areas that were vulnerable to waste,

It set standards for controlling volatile organic and other chemicals, expanded bottled water regulation to include mineral water, and provided definitions and standard terms for common terms found on bottle labels.

- Our highways will be safer for everyone following GAO work examining the Federal Highway Administration's (FHA's) motor carrier safety program. We found that FHA was simply not doing enough to make sure that the country's trucking carriers were correcting their deficiencies. Since then, it has begun to improve the timeliness, quality, and effectiveness of their compliance reviews.
- GAO's oversight of FAA's \$33 billion air traffic control modernization program was crucial in helping the Congress make funding decisions and encouraging FAA to change its acquisition process.
- Documenting the lifesaving effects that states could expect from an increased minimum drinking age helped influence state legislation so that now all 50 states and the District of Columbia have increased the minimum drinking age to 21. These actions are estimated to have saved 1,000 lives annually.
- Our disclosure of serious deficiencies in the Food and Drug Administration's oversight of medical device manufacturers helped strengthen regulations to reduce the chances of unsafe devices reaching the marketplace.
- In direct response to GAO's work, the National Institutes of Health (NIH) substantially tightened its procedures for ensuring that government-sponsored research include women, where appropriate, and NIH created an Office of Research on Women's Health to more proactively deal with women's issues.
- After GAO found inadequacies in the regulation of hospital sterilants and disinfectants, the Food and Drug Administration quickly issued an advisory to manufacturers to comply with safety requirements in marketing their products.

Insert for the Record**Information on the extent to which other national audit organizations have the authority to administer oaths or take sworn testimony.**

We have contacted or reviewed available materials from 15 national audit organizations. Nine of 15 organizations contacted did not have authority to take testimony under oath. The 6 that had authority to examine persons under oath had only used this authority in rare instances. For example, one organization stated to us that such authority had been used only once in the past 10 years. Another organization stated that its authority was only used in "very exceptional cases."

The 9 countries which do not have authority to administer oaths are Germany, Japan, the United Kingdom, Sweden, Austria, Poland, India, Estonia, and the Netherlands. The 6 countries having authority to administer oaths are Singapore, Korea, France, Canada, Australia, and the Philippines.

Mr. HORN. You're giving me the backup?

Mr. BOWSHER. Yes, we'll give you backup on that. I might also say, if I could add one thing?

Mr. HORN. Sure.

Mr. BOWSHER. That is, as you're aware and I think everyone is aware, there was some criticism by the Republicans about GAO not being responsive enough or doing enough work for them versus the Democrats who were in power for so long. So last year when the Republicans came to power, we then had the real test because at that point, the chairmen were members of the Republican Party.

Last year we did a lot of jobs for the Congress; and I asked my staff to give me a list of jobs done by requester. It turns out there were 33 requesters that requested 10 or more jobs. And the top one was 53 jobs. And I have visited 20 of those personally to try to get some sense of, are they satisfied, did they feel they got good work, did they get objective work, and everything like that. And I can tell you that based on my meetings with these chairmen that they all said that they had got very good work and that they were very satisfied. I did this survey personally just to try to get the facts on this situation.

Mr. HORN. I think you answered this question earlier, but let me just note the premise on which I state it. In the 103d Congress, when the then minority, namely the Republicans, sought to get information out of the executive branch, the chairman of one committee with which I'm familiar phoned all of the people in the executive branch and said, you don't have to respond to them.

Now, there happens to be a quirk in the law here. It isn't a quirk. It's a very valuable thing to protect the minority. And that is, six or seven—it slips me right now—members of the committee signed that request. The executive branch has to turn the data over to them.

Well, we had a chairman that was just running around saying, you don't have to do that, don't listen to them. And, of course, a lot of them stonewalled us as you would expect. Now, that's why I'm so keen on GAO sort of getting off the dime and really subpoenaing that information when you don't get it. I don't know. Have we got a list of how many times you've used your equivalent power? Is it so infrequent that you can remember it maybe? When does it happen, once a year, once every 5 years?

Mr. BOWSHER. When I first came into office, we used it quite frequently, especially with the Defense Department, because it was a new law, it was a new power. And we were having a lot of problems getting information. And we were losing a lot of time on that.

Once we started to use it and once OMB finally decided that they weren't going to take the side—this in the early Reagan administration—of the agencies and said, come on, let's give the information to GAO, and everything like that, in recent years we haven't had to use it very often. But it's a very powerful and important piece of legislation, I believe, because just based on problems we were having when I first got here, if we didn't use it then and we didn't have it, I think we would still be having problems and that.

I didn't fully answer your question. I realize now going back. Jim, you should help here. And that is, we can come back to the committees, too, for a subpoena to compel people. If somebody

doesn't want to cooperate with us, we then can come back to the committee, too, for a subpoena.

Mr. HINCHMAN. It's important to understand in the context of Mr. LaTourette's legislation that our authority is to gain access to records. And I want to be sure that we weren't misleading you about that. We do not have the authority to compel testimony. And, therefore, we are currently dependent upon the cooperation of agency officials when we conduct our reviews. If we want to ask them questions about their records, ask them to tell us the story of what they believe their problems are or why something happened, we have to count on their cooperation.

I would say that, in general, we receive that cooperation. But there are circumstances in which we do not. And today we do not have the authority to compel that.

And it's in those circumstances in particular that we sometimes come back to our requesting committees and ask them to assist us. They have more capacity than we do to encourage agencies to cooperate with our reviews in some circumstances.

Mr. HORN. Well, Comptroller General, do you think you ought to have that authority to compel testimony?

Mr. BOWSER. I think it's better to come back to the committee and get it. I think my experience in auditing is that you have to have a reputation that people are not that scared. In other words, I would get a little worried that—I think Mr. Koskinen said it well. That if people are going to have to worry about perjury and things like that and dealing with the auditor, I think that might be a type of a chilling effect that would dry up a lot of the information we receive.

A lot of people have the idea that auditing is adding up two columns of figures and making a decision that one column is maybe larger than the other. The truth of the matter is that a good auditor has to win the confidence of the people that he's interviewing. So based on my experience in both the private sector and the public sector here, I would be inclined to stay with the legislative base that we have now and go back to the committees when we need to get that subpoena.

Mr. HORN. I guess I don't agree with your worry that information will be shut off. When there is a grand jury and a U.S. attorney brings someone into that grand jury, they're under oath and a transcript is taken of what they say to that grand jury.

Mr. BOWSER. And it's like when it comes to referring anybody to the Justice Department, we don't have the authority to do investigations and actually make a decision. Some of my counterparts around the world do have that. But I've always thought it was better that the auditor's role not to go that far. And so lots of times when we think we're not getting the full story or we're getting a dishonest story told to us, one of our roles as auditors is to check the facts more fully in other ways by talking to other people, checking more data and things like that. That's all part of auditing.

So I would be inclined to kind of stay where we are right now. That would be my best recommendation.

Mr. HORN. You've mentioned some of the other national audit agencies do have that authority.

Mr. BOWSER. Yes, they do.

Mr. HORN. Which ones come to mind?

Mr. BOWSHER. Well, a lot of them that were behind the Iron Curtain. They have always been surprised that those of us on the other side of the Iron Curtain don't have it.

Mr. HINCHMAN. I think particularly those countries have a civil law tradition and whose auditing function is performed in an adversarial court-like context.

Mr. HORN. Administrative courts.

Mr. BOWSHER. Like the French Court of Audits.

Mr. HORN. The French.

Mr. HINCHMAN. Yes, sir.

Mr. HORN. It goes back to Napoleon.

Mr. BOWSHER. Exactly.

Mr. HINCHMAN. Yes, sir.

Mr. HORN. He didn't trust people, either.

Mr. BOWSHER. No, he didn't. He would haul any accounting clerk up from the south of France and swear him in.

Mr. HORN. Well, if you can and ask staff to ask the American law to see what their counterpart in international law, if we can get some examples of how they do it.

Mr. BOWSHER. We can, sure.

Mr. HORN. Let's put it at this point in the record.

Mr. BOWSHER. Sure.

[The information referred to follows:]

abuse, and mismanagement. We reported several billion dollars in excess funds that permitted RTC to lower its estimates for completing the thrift cleanup and to resume efforts to resolve insolvent thrifts.

- We helped the Congress consider the issues raised by trade negotiations between the United States and its major trading partners, including Canada, Mexico, the European Community, and Japan. Our report and testimony on the North American Free Trade Agreement (NAFTA) provided Members of the Congress with objective and comprehensive analysis of the treaty's contents. We also provided analyses on NAFTA's potential effects on the economy, the environment, labor, and immigration.
- In response to our technical and procurement-related concerns, the Federal Aviation Administration did not award a planned data processing contract for the Computer Resources Nucleus project. Instead, it issued a dramatically improved request for proposal that resulted in a contract costing nearly \$1 billion less than originally planned.
- During 1994 and 1995, GAO recommended a number of changes to IRS's audit efforts to promote increased compliance with the nation's tax laws. For example, changes have been made to tighten the sole proprietorship program and requirements on independent contractors; more and better training is being provided IRS auditors doing large corporation audits; and IRS is experimenting with hiring private collection agencies to help reduce the large volume of delinquent taxpayers.
- GAO's analysis of the Earned Income Credit (EIC) program resulted in several products to the Congress confirming its long-standing concerns about EIC noncompliance, growing amounts of EIC being paid, and the need to make changes. GAO's proposal for revising measurement of EIC filers' eligibility led to better targeting of EIC recipients.
- GAO reports and testimony showed that Defense's 5-year spending plans tended to materially underestimate weapon program costs and overestimate the amount of future funding available for the defense program, supported legislation requiring Defense's spending plans to match the President's budget.
- The nation's waterways will be cleaner due to some of GAO's work. In 1993, we found that many barges had been abandoned on the nation's waterways causing pollution. The federal government, through the Coast Guard, often had to pay for this cleanup. The Congress corrected this by passing a law requiring the registration of barges and prohibiting their abandonment.
- The nation's senior citizens will get better service from the Social Security Administration following our review of the Administration's handling of claims for lost or stolen social security checks. The Administration revised its procedures for handling these claims, which resulted in quicker replacement of the lost or stolen checks.
- Many American's will get more convenient access to the Post Office's services due to GAO work. Moving into the modern era, the Post Master General cited GAO's work in announcing that the U.S. Postal Service would accept credit and debit cards at all retail windows.
- Americans will have safer drinking water due to GAO work in 1995. Following our work, the Food and Drug Administration strengthened the regulation of bottled water sold to Americans.

Mr. HORN. In a letter from the distinguished ranking minority member of the Science Committee, George Brown, of California, to the Comptroller General, dated April 17, 1996, the General Accounting Office's level of quality control was questioned. Please explain how your quality control system works. I realize that you must feel that you're damned if you do and you're damned if you don't, especially given the questions about the level of reviews that we've had and the time it takes to produce reports.

Have you made any in-house decision to exclude detailed analytical work in your reports as Mr. Brown's letter claims?

Mr. BOWSHER. No. But what I'm doing now with Mr. Brown's letter is I'm setting up, as I would do any time that a report gets questioned, like his question so questions it, I set a new special effort of people that have not been previously involved, some senior people at GAO, looking at how we did that whole job, how we wrote the report up and everything like that. And we will go back to Congressman Brown with a full explanation in writing when we get that new review, separate review done.

Mr. HORN. You mentioned in response to an earlier question I asked that you basically don't sit down with all of the requesters, I take it, or do you? I mean, does your staff? When you've got 10 different people that have a nibble of this project idea, the question comes, once you decide on where the focus is, do you share that with all parties in case they have a question on the methodology or the scope?

Mr. BOWSHER. Yes. In other words, that's part of the new commitment letter that we are doing.

Mr. HINCHMAN. Absolutely.

Mr. HORN. So you are getting them all in the room?

Mr. BOWSHER. But not physically in the room.

Mr. HORN. How are we doing it then?

Mr. HINCHMAN. Actually, in some cases, we do try to do that. We try to, as much as possible, partly to speed up the process in response to congressional concerns about timeliness. We try to make the process as concurrent as possible. And if we can get all of the requesters on a job to meet with us together and to reach a common agreement on exactly what we're going to do, and I think equally important the schedule in which we're going to do it, then that's what we do. Sometimes that's difficult because of staff commitments and we have to meet with them in perhaps two groups.

Mr. HORN. Now, I think what leads to some of the partisan charge over the years is the detailees that our friends who were in the majority for 40 years had from the GAO. And the National Academy for Public Administration did have some recommendations on detailees. What's the current policy of the General Accounting Office in this area?

Mr. BOWSHER. First, once we realized that some of the Members of Congress had that concern a few years ago, we tried to bring it down. And we brought it down from about 60 to 30. This was when we were at 5,300 people. We brought it down to 30. And right down this week at 11. We've been running closer to 15, I'd say, this year.

Mr. HORN. Now, is that the House or the House and the Senate?

Mr. BOWSHER. That's the House and the Senate. And the House, of course, changed the rules here when the Republicans took

power, so that the committees and the House now pay us for the detailees. And I think that that has certainly curtailed some of the requests. And so I think right now we've got it down to a very small number and a very manageable number.

We work really hard to make sure that that person that we're sending up is working on something that is unique and specialized, so that we aren't just adding bodies to staff up on the Hill. We're trying very hard not to be a body shop to the committees.

Mr. HORN. As you know, we currently do not have a problem with these detailees as you suggest. But when there were many detailees used on the staff, do you think that mandatory reimbursement is enough if they're used? Or should there be an overhead added to that, put in the GAO kitty? How do you feel about it?

Mr. BOWSHER. I think the reimbursement that is taking place now is adequate. The Senate doesn't do it, of course.

Mr. HORN. Does that include an overhead at all?

Mr. HINCHMAN. We are currently reimbursed for their salary.

Mr. HORN. Just salary. All right. I think that covers that area. On downsizing, did the National Performance Review set any target for GAO? Or did they limit themselves solely to the executive branch?

Mr. BOWSHER. They limited themselves to the executive branch.

Mr. HORN. As I recall from your earlier testimony, you think you're at about where you ought to be and you don't want to be cut any more, is that correct?

Mr. BOWSHER. That's right. In fact, I'm a little worried that we've gone too low. And I would ask the Appropriations Committees this year for 100 more staff. That would be 3,600. Even though we would be coming down, we would be coming down this year, but not quite as low. And that was to kind of have some more accountants and systems people, as the previous panel, I think, indicated to you their concern, as I have some concern, and some very key individuals that we have lost, like my chief economist and people like that. We were not given encouragement by the appropriation in the House. We have not had our Senate hearing yet. But I suspect we're going to end up at 3,500.

Mr. HORN. That's what I have in my figure. Apparently fiscal year 1997 will begin with GAO at 3,500.

Mr. BOWSHER. Right.

Mr. HORN. So that seems to be the common currency going around. Let me ask you, what areas of GAO do you think you lack sufficient personnel in? You mentioned you take a look at the technology area and so forth. But what else is there?

Mr. BOWSHER. Well, it's basically the systems and technology. It's the accounting and auditing because of the CFO Act. And then it's specialists in some of the program areas. Like I lost half of my team that are knowledgeable on the post office. Any time you have early outs, you always end up with some imbalance of your expertise, you might say. And what I'd like to do is to be able to balance the specialties that we have.

Then, of course, one other big area is that we have not hired any new people since 1992. So any time you have a professional organization like GAO that has too long of a period of not hiring new

young blood coming in there, you start to build yourself some problems down the road. So I would hope that in future years, we can get back into hiring.

As I pointed out earlier, GAO can attract the finest young people from the most prestigious universities in the country. We have no problem at all.

Mr. HORN. Did GAO get buyout authority at all?

Mr. BOWSHER. Yes, we did. We had two buyouts. We had one in December 1993 and one in September 1996.

Mr. HORN. December 1993 and November?

Mr. BOWSHER. No, September 1996.

Mr. HORN. September 1996. And do you plan any more?

Mr. BOWSHER. No.

Mr. HORN. Let me have one last question. The GAO has defined its organizational mission as follows. We aspire to be the world's leading organization engaged in audit, evaluation, and public policy analysis. Do you think that GAO's mission should be changed to reflect any narrower congressional focus; or do you think it's appropriate as it is?

Mr. BOWSHER. We reviewed that after the NAPA study. And we thought it was appropriate. We changed our mission statement somewhat, but we kept the vision statement as it is.

Mr. HORN. How did you change the mission statement?

Mr. BOWSHER. Let me provide that for the record.

[The information referred to follows:]

Insert for the Record**Changes made to GAO mission statement.**

The NAPA report raised the issue of what role GAO should play in policy analysis and policy development and suggested that GAO review its vision and mission statements to clarify its role in these areas.

We recognize that this is an issue upon which opinions vary because the words "policy analysis" and "policy development" may mean different things to different people. Because this is an issue subject to misunderstanding, it should be stressed that GAO has always taken the position that it does not formulate or make policy. Congress and the administration make policy.

To avoid any potential misunderstanding on how GAO views its role, GAO reevaluated its vision and mission statements and revised the mission statement. The revised mission statement accurately describes GAO's role as providing members of Congress and others with accurate information, unbiased analysis, and objective recommendations on how to efficiently and effectively use public resources.

GAO's complete mission statement with the bracketed deletion of the word "best" and the italicized addition of the words "efficiently and effectively" is as follows:

We seek to achieve honest, efficient management and full accountability throughout government. We serve the public's interest by providing members of Congress and others who make policy with accurate information, unbiased analysis, and objective recommendations on how [best] to *efficiently and effectively* use public resources in support of the security and well-being of the American people.

With these changes to the mission statement, GAO concluded that the following vision statement was consistent with its core values.

We aspire to be the world's leading organization engaged in audit, evaluation, and public policy analysis.

Mr. HORN. Why don't we put that in the record, as well as the full statement? We'll keep the record open until Friday for any of the Members' questions that they might wish to submit, if you would be kind enough to answer them. And in terms of questions about the proposed legislation, I would welcome from GAO a critique, just as OMB will send us, as to what your concerns are about this legislation. Just take it issue by issue, authorization 10 years, 5, whatever, changing the Comptroller General's term, affecting pension. I think we need a serious discussion to bring this thing to close.

Mr. BOWSER. I'm not sure, Mr. Chairman, that we have the latest version.

Mr. HORN. Well, your staff and our staff, Mr. George will get it to you. I thank you very much. Is there anything you would like to say looking back 15 years and thinking ahead to the 21st century? What should GAO be?

Mr. BOWSER. Well, I think GAO has to be a really modern auditing organization, program evaluation. I think it takes really talented people to do this work. I mean, the assignments are really big and difficult. We never get a letter that says, put your third class team on this job and take whatever time you'd like to get the job done. I mean, it's always just the opposite. We want it in 6 months. Or we want it in 3 months. We've got to have your best people.

Mr. HORN. They want it yesterday.

Mr. BOWSER. Yes. And I would hope that in addition to giving adequate staffing to GAO, that the Congress, which they did very well through the 1980's and early 1970's, would give us enough money to have modern technology. GAO today has a really superb computer network. We have a video conferencing, hooking up our 16 offices. We've closed 24 offices. We've gone from 40 offices to 16. And our team today really has superb technology and that. But, you know, the wave of obsolescence of technology today, you have to have enough money to keep that modernized.

So I think it's the training, the recruiting, the really top people you need. And then you've got to give them the resources, namely, the technology to work with and enough travel funds to do their work. I think GAO today is the finest Government auditing organization in the world. And I think it's recognized that way. And I would hope that the Congress would support it and maintain it over the years.

Mr. HORN. We thank you for sharing your views with us. We thank you for your service. We wish you well in the years ahead. We welcome any suggestions you have.

Mr. BOWSER. Thank you, Mr. Chairman.

Mr. HORN. Thank you very much.

Mr. BOWSER. Thank you very much.

Mr. HORN. We're now going to close this hearing. And I'd like to thank both the majority and the minority staff, the majority staff headed by J. Russell George, staff director and counsel. Anna Miller, professional staff member to my immediate left had a lot to do with setting up this hearing, particularly on the accounting aspects. Andrew Richardson, clerk. Kevin Sabo, general counsel to the full Committee on Government Reform and Oversight. Jeff

Wilmont, professional staff member to the full Committee on Government Reform and Oversight.

And with the minority staff, we have many people here. David McMillen, professional staff member. Mark Stevenson, professional staff member. Lisa Mientus, professional staff member and Miles Romney, counsel.

And official reporter, Ed Greenberg.

So with that, we end this hearing, and we thank you all for your patience and contributions. Thanks.

[Whereupon, at 4:30 p.m., the subcommittee was adjourned.]

