THE U.S. GENERAL ACCOUNTING OFFICE

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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THE U.S. GENERAL ACCOUNTING OFFICE

TUESDAY, JULY 18, 2000

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Biggert, Ose, Turner, and Maloney.

Staff present: J. Russell George, staff director and chief counsel; Heather Bailey, professional staff member; Bonnie Heald, director of communications; Bryan Sisk, clerk; Elizabeth Seong, staff assistant; Will Ackerly and David Hulfish, interns; Trey Henderson, minority counsel; Mark Stephenson, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. HORN. The subcommittee will come to order.

Today's hearing on the General Accounting Office is especially important because of the agency's vital and unique role in the Nation's legislative process and in Congress's oversight of government operations. Today, the subcommittee will review the GAO's ongoing programs and the agency's vision for the future.

Since its establishment in 1921, the role of the General Accounting Office has evolved from one of auditing agency vouchers to its present role of providing in-depth studies upon which Congress bases its legislative and oversight agenda. The GAO is a key investigative resource for the legislative branch of government.

The question naturally arises: How has the GAO transitioned from its 20th century functions to those of the 21st century?

We are very fortunate to have before us today a number of witnesses who are in a unique position to answer that question. Our first presenter is the current Comptroller General of the United States, David Walker. Since assuming this office in November 1998, the Comptroller General has initiated a number of reforms that we look forward to hearing more about today.

His testimony will be followed by a panel of witnesses whose insights are invaluable to the subcommittee as we consider the subject before us. We will hear from the honorable Elmer Staats, who served as Comptroller General from 1966 until 1981. We will also hear from Mr. Staats' successor, former Comptroller General Charles Bowsher, who served from 1981 until 1996. In addition, we

are pleased to have before us a familiar voice, that of Dwight Ink, president emeritus of Institute for Public Administration.

We welcome all of our witnesses today, and look forward to their testimony.

I am now delighted to give time to the ranking member of this subcommittee, the gentleman from Texas, Mr. Turner, who has been a wonderful colleague to have with this group. I know that he shares the respect for the General Accounting Office and the Comptroller Generals that I do. Mr. Turner.

[The prepared statement of Hon. Stephen Horn follows:]

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INDEPENDENT

OPENING STATEMENT
Chairman Stephen Horn
"Oversight of the General Accounting Office"
July 18, 2000

A quorum being present, the subcommittee will come to order. Today's hearing on the General Accounting Office is especially important because of the agency's vital and unique role in the nation's legislative process and in Congress's oversight of government operations. Today, the subcommittee will review the GAO's ongoing programs and the agency's vision for the future.

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We welcome all of our witnesses today, and look forward to their testimony.

Mr. TURNER. Thank you, Mr. Chairman.

It is good to have General Walker here this morning and to be able to hear from the General Accounting Office. I think we share respect for the good work that the GAO has done for us throughout the years.

GAO I know was founded in 1921. Its mission is to help Congress oversee Federal programs to ensure accountability to the American people. Over the years, Congress has expanded the GAO's statutory authority to reflect the growing complexity of government and of our society. GAO's evaluators, lawyers, economists, public policy analysts, information technology specialists and other multidisciplinary professionals seek to enhance the economy, the efficiency, the effectiveness and the credibility of the Federal Government, both in fact and in the eyes of all American people.

The GAO is able to accomplish its mission through a variety of activities, including financial audits, program reviews, investigations, legal support, and policy and program analysis.

I am very pleased to note that for fiscal year 1999 the General Accounting Office's work resulted in more than $20 billion in financial benefits to the Federal Government and over 600 actions leading to a more effective government. It is without question that the General Accounting Office has been extremely helpful to our subcommittee, and I again commend General Walker and his staff for the good work that they do on behalf of the Congress.

We are here to learn more about the challenges facing the agency and what we in Congress can and should do to ensure that we receive the type of credible, unbiased data that the GAO has constantly provided us in the past. I commend Chairman Horn for calling the hearing, and I welcome each of our witnesses. I want to conclude by saying that the General Accounting Office is an agency which is truly dedicated to good government, and for that I am very appreciative.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Jim Turner follows:]

Statement of the Honorable Jim Turner
GMIT Hearing: "The U.S. General Accounting Office"
~~7/17/00~~ 7/18/00

Thank you, Mr. Chairman. Founded in 1921, GAO is the investigative arm of Congress. It's mission is to help the Congress oversee federal programs and operations to assure accountability to the American people. Over the years, Congress has expanded GAO's statutory authority to reflect the growing complexity of government and society. GAO's evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists, and other multi-disciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people. GAO accomplishes its mission through a variety of activities including financial audits, program reviews, investigations, legal support, and policy/program analyses.

I am pleased to report that for fiscal year 1999, GAO's work resulted in more than $20 billion in financial benefits to the federal government and over 600 actions leading to more effective government. Without question, GAO has been extremely helpful to this Subcommittee, and I would like to commend General Walker and his staff for their hard work. We are here to learn more about the challenges facing this agency and what we as a Congress can do to ensure that we continue to receive the type of credible, unbiased data that GAO has constantly provided us in the past. I commend the Chairman for calling this hearing and welcome the witnesses here this morning. I want to conclude by saying that the GAO is an agency which is truly dedicated to good government through its commitment to the values of accountability, integrity, and reliability

Mr. HORN. I thank the gentleman, and we will now swear in the witnesses.

[Witnesses sworn.]

Mr. HORN. The clerk will note that the witnesses affirmed the oath.

We will start with the Comptroller General of the United States, Mr. Walker, now. And you have a wonderful 40-page, single-spaced document which is already headed for the Government Printing Office; and I know that you have a very good slide presentation. If you can do it in 15 to 20 minutes, we would be appreciative, because we would like to have a dialog.

STATEMENT OF DAVID WALKER, COMPTROLLER GENERAL OF THE UNITED STATES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY GENE DODARO, CHIEF OPERATING OFFICER

Mr. WALKER. I will be happy to do that.

First, let me say that I am pleased to be here. As you know, Mr. Chairman and Ranking Member Turner, I am now one and a half years into a 15-year term as Comptroller General, 10 percent down, 90 percent to go.

I am proud to be the head of GAO. I believe GAO is one of the best agencies in the Federal Government, and one of the best accountability organizations in the world, if not the best. There is a simple reason for that. We are the best because we have the best people. We do, however, have a number of people or human capital challenges that I will mention later in my testimony that need to be addressed with a matter of urgency.

As you noted, I have submitted my full statement for the record; and I am going to cover it in a PowerPoint presentation. But, before I do, I would like to note for the record that Gene Dodaro, who is Chief Operating Officer, to my right, has joined me. Bob Murphy, who is our General Counsel, is behind me. Sallyanne Harper, who is our Chief Mission Support Officer, is to my right. The four of us make up the Executive Committee for GAO.

In addition to that, I am pleased that we have 10 to 12 members of the Employee Advisory Council in row two. They represent a diverse group of GAO employees. We get together periodically to discuss mutual issues of interest and concern, and I am pleased to say that we have talked about a number of human capital issues together. I look forward to working with them on these and other issues.

If I can, the first slide, please.

As both of you noted, GAO was formed in 1921 and is headed by the Comptroller General of the United States. I am the seventh Comptroller General in the approximately 80-year history of GAO.

Every Comptroller General has made noteworthy contributions to our agency and to the country. I am especially pleased and honored to appear here today with my two immediate predecessors, Elmer Staats and Chuck Bowsher. Both made significant contributions to GAO and our country, and I have noted several of them in my written statement.

GAO has changed significantly over the years, both as to size, scope and focus over the years. The agency almost tripled its size in World War II in order to preaudit all government payments. The

agency was reduced in size after World War II but broadened in both its range of services and the scope of skills that its staff possessed. The resulting expansion in scope of services since World War II served to reinforce the fact that we are about accountability, not accounting.

Most recently, the agency was forced to downsize by approximately 40 percent in the 1990's due to budget cuts; and there are some scars that resulted from that, which I will touch on in a few minutes.

Next slide.

As you can see, the size of GAO has changed over the years. I have picked three dates for illustrative purposes: 1966, which was the first year that Elmer Staats was Comptroller General; 1981, which was the first year in which Chuck Bowsher was Comptroller General; and 1999, which was the first fiscal year in which I served as Comptroller General. And you can see the size has fluctuated over the years. When Elmer Staats took over GAO, there were just over 4,000 personnel; when Chuck Bowsher took over the agency, it had grown to over 5,000; and when I took over the agency we had an authorized staff of 3,275.

Next slide, please.

There has been a significant change over the years in the mix of GAO's work. It has changed dramatically over time. When Elmer Staats took office in 1966, 90 percent of GAO's work was research and development or self-initiated work; and there were no congressional mandates. When Chuck Bowsher took over the office, the percentage of research and development or self-initiated work had declined to 65 percent; and mandates were becoming more common but they were still new on the scene, only representing about 2 percent of GAO's work.

When I took over the Office of Comptroller General in late 1998 or fiscal year 1999, only 5 percent of our work was R&D or self-initiated and 23 percent related to mandates. Stated differently, 95 percent of the work that GAO did was either based on mandates or specific congressional requests.

Next slide, please.

The next slide shows the dramatic decline in our field office presence. It has declined dramatically from 46 offices in 1984 to 16 today, and effective November 2000 we will go down to 11 field offices. This decline is due to a variety of reasons, in some cases budget cuts, but also because of economy, efficiency, effectiveness and technology reasons.

Next slide, please.

As Mr. Turner mentioned, GAO has always provided the Congress and the American people with an outstanding return on their investment. This slide shows the financial benefits that GAO has returned since 1966 on an annual basis as well as the 4-year average.

I am pleased to say in fiscal year 1999 we had $20.1 billion in financial benefits. In some cases, that represents costs reduced; in other cases, it is asset recoveries enhanced; spending deferred; or reserves reclaimed. There are a number of different things that come under the definition of financial benefits, and I am happy to answer questions on that if you would like. But the bottom line is

this: The Congress and the American people had a return in 1999 of $57 for every dollar invested, probably No. 1 in the world.

The next slide, please.

GAO has also made a number of contributions over the years in the area of improved government operations. The adoption of GAO recommendations not only serve to accrue financial benefits but also nonfinancial benefits such as improved government operations in the area of computer security, airline safety, sustainable development and national security, etc. A number of examples are included in our 1999 accountability report, which I know has been provided to the committee as well as the Congress at large.

The trend in nonfinancial benefits has been up over the last several years, but we did have particularly impressive years in 1998 and 1999 due to the Y2K involvement that we had and the many, many recommendations associated with that effort. The Y2K effort is an example of what government can do if the executive branch and the legislative branch work together in a concerted and constructive fashion to address a known problem with a positive outcome, and hopefully we can learn from that in the future.

The next slide, please.

One of the basic market tests that we can look to for the value of GAO is how many times the Congress requests GAO representatives to testify on a wide variety of issues. This next chart shows that our numbers have been impressive in that regard, that we have, on average, testified over 200 times a year before the House and the Senate on a wide variety of topics; and I myself typically will testify about 25 times a year. We expect for our fiscal year 2000 numbers to exceed the 1999 level, even though this is an election year and a shortened legislative year.

The next slide, please.

Timeliness is critical, especially for the Congress. The Congress is our client. We have had a concerted effort since 1996 to significantly enhance the timeliness of the work that we do for the Congress, namely to try to be able to deliver when we promise that we will deliver, and you can see there has been a dramatic improvement in our timeliness. But, importantly, it is not just whether or not we deliver when we promise that we are going to deliver; it is also whether or not we deliver within the timeframes that the Congress needs it in order to be able to make informed decisions. So we are looking to refine these measures and enhance these measures, as we will continue to do in the future.

The next slide, please.

Both of you mentioned GAO's mission. GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the Federal Government for the benefit of the American people. We are truly about good government; and, in fact, I would say our vision is to simply make government work better for all Americans.

The next slide, please.

In order to do that, we have to do our work in accordance with applicable professional standards as well as a specific set of core values that I worked with our executive team as well as others to come up with shortly after becoming Comptroller General. We have three core values that drive everything that we do, both internally

and externally. The first is accountability, the second, integrity; and the third, reliability.

With regard to accountability, that word describes what we do. We are called the General Accounting Office, but that is really a misnomer. Only about 25 percent of what we do deals with traditional accounting and financial management; 75 percent deals with program evaluation, policy analysis, legal research, a whole range of activities, investigations, etc. As a result, the common denominator is the word accountability and in some ways you can say we are the government accountability office is more descriptive of what we do.

Integrity describes how we must do our work. We must be professional, objective, fact-based, nonpartisan, nonideological, fair and balanced. We must say what we mean, mean what we say, provide the facts and let the elected officials decide what to do once they have the facts. We must provide those facts in advance before issues reach crisis proportions. In fact, I think one of the advantages of having a 15-year term and an agency being headed by a nonpartisan professional is to look longer and broader and to bring matters to the attention of Congress before they represent crises. That is critically important.

The third core value is the word reliability which describes how we want our work to be received—timely, accurate, useful, clear, and candid. Now, I would like to be able to add the word concise, Mr. Chairman; and we are working on that. That is why we have a PowerPoint executive summary, rather than the 40-page written testimony.

Next slide, please.

This represents a summary of our strategic plan. This represents a framework for everything that we do at GAO, both internally and externally. We develop the strategic plan through extensive outreach efforts with the Congress. Yes, this is GAO's strategic plan, but it is our plan to serve our client, the Congress and the American people, and it was put together with extensive consultations with our client.

We voluntarily have complied with GPRA. As you know, we are not subject to GPRA, but we believe it makes sound business sense to comply with GPRA for a variety of reasons. In addition, we believe, as the leading accountability organization in the United States, we have a responsibility to lead by example. We should be as good or better than anybody else we evaluate, otherwise we are hypocrites, and we don't ever want to be called a hypocrite. So we have focused on our mission.

We have four goals. The first two goals are tied to the Constitution of the United States. We know that there can be a lot of disagreement in Washington nowadays, but we believe that the Constitution has stood the test of time and to build our first two goals on the Constitution is both prudent and appropriate. The third goal is based upon a recognition of a global trend at Federal and State and local levels, and that is to the push for more results-oriented and accountable government. And fourth is for us to seek to lead by example, to be a model organization, to practice what we preach.

We have got six themes underneath that that have no boundaries. They have no boundaries globally, domestically, or within the Congress, within the executive branch or within GAO. They deal with issues like changing demographic trends, like increased globalization, different quality of life considerations, emerging security threats, rapidly evolving technology and, again, the move toward a desire for a more results-oriented and accountable government.

We have 17 objectives that tie in most cases very closely to the committees and the various departments and agencies. And last but not least, as I mentioned before, the foundation of everything that we do represents our core values.

The next slide, please.

If I can, Mr. Chairman and Mr. Turner, let me now change to some of the challenges that we face in the human capital area. As I mentioned, people represent our most valuable asset. We are a knowledge business. In fact, I would say, with all due respect, that there is probably a broader range of skills and knowledge in GAO than any organization on Earth, bar none. Let me repeat that. There is probably a broader range of skills and knowledge in GAO than any organization on Earth and a tremendous amount of institutional knowledge that is critically important to the Congress and the Nation.

But the fact of the matter is that we have a number of human capital challenges in a post-downsizing era. We are smaller and out of shape, as this chart shows. Only 11 percent of our personnel are at the lower levels, as compared to about 27 percent in 1989. In addition, we are heavy in certain other areas. We need to address these imbalances over time through a variety of management actions and other types of activities. It is important that we get in shape for the future. We are in shape to do our job today, but we are not well positioned to be able to do our job in future years.

The next slide, please.

This next chart shows our appropriation and FTE level since 1992. We have had a significant decline in our budget. We experienced that in the mid-1990's. This resulted in an approximate 40 percent reduction in the size of GAO. There were a number of RIFs that had to be run. Offices were closed, all or nothing; and whole units were abolished. The fact of the matter is, is that we have not had reasonable resource stability for several years. And while last year was the first year in 10 years that we received a resource allocation in excess of our mandatories, this year again there is a debate as to how much resources GAO will receive.

The House has us for a 2 percent cut without considering inflation or other mandatories; the Senate has us for a 2.5 percent increase. We can live with the Senate number, but the House number would force us to run RIFs again or otherwise to freeze hiring, which would be totally unacceptable and would further mortgage our future. We are hopeful that the Senate numbers will prevail in Congress, with all due respect to the House.

It is critically important that we have reasonable stability in funding and not have to fight these annual battles over what our budget is going to be, especially given the return on investment that we are bringing to the taxpayers. Having to fight the annual

battles and deal with the annual uncertainty over what our budget is going to be has an extremely deleterious affect on morale as well as our ability to attract and retain a qualified work force.

We had a virtual 5-year hiring freeze from 1993 to 1997. This served to mortgage our future in certain ways. The average age of GAO has increased 6 years in the last 6 years. The average age of GAO is 48. Mr. Chairman, Mr. Turner, that is my age. We cannot continue to repeat hiring freezes. That would only serve to further mortgage our future.

The next slide, please.

We have serious succession planning challenges. We must begin to prepare for our future. Thirty-four percent of all of GAO personnel are eligible to retire within 4 years—4 years, 34 percent. Fifty-five percent of our SES members are eligible to retire in 4 years. That is a tremendous amount of institutional knowledge and expertise. We must become more actively involved in succession planning. The combined effect of past hiring freezes, budget cuts and the current RIF rules have put this agency at risk; and we need to address them.

The next slide, please.

GAO contracting. While our FTE levels have gone down, our contracting has gone up, in part to recognize that there are certain aspects that the private sector can do more effectively and, in addition, there are certain areas where we need assistance or expert assistance or we are not going to have the ability to attract, retain and motivate an adequate number of people. So we are going to have to go to the private sector from time to time to do that, and we will be prudent about how we do that.

The next slide, please.

A few summary points.

What are some of the GAO challenges that we face?

First, supply and demand imbalances. We have significantly increased demand from the Congress and significantly reduced supply in the form of human as well as financial resources. We have got to work together to achieve a better balance.

Second, we critically need stability in our annual resource levels. Failure to have that undermines our ability to attract and retain a motivated and skilled work force. We need to have flexibility to do some self-initiated R&D work. It is unreasonable to expect that the Congress will identify all of the issues that need to be focused on. And, in fact, it is important that we be able to look at some issues before they reach crisis proportions and to bring those to the attention of the Congress before they are immediate crises. Having some type of reasonable flexibility to do that is essential in order for us to accomplish our mission.

We both need to work together, meaning the Congress and GAO, to reinvigorate and to improve congressional oversight. We need to work in a bicameral, nonpartisan manner to form a partnership in order to be able to buildupon the management reforms of the 1990's, the skills and knowledge and institutional expertise of GAO; and we have got some ideas about how to do that that we would like to work with you and others on.

We critically need the Congress's help in the area of human capital. We need to enact our human capital legislation. It has been

passed in the Senate. It is scheduled to go to conference as part of the appropriations process. Chairman Burton and Ranking Member Waxman support the legislation that is in the budget process. We critically need that legislation to help prepare GAO for the future, but, in addition, we need the Congress to consider other areas that we are happy to work with you on.

We need to look at the possibility of debt relief for new hires. We already have a compensation differential between the private sector options and in the government, but, in addition, over half of GAO's employees are Master's and Doctor degree candidates. They often come out of college with significant debt. They face a double whammy. They face less compensation and tremendous debt loads. We need to do something like the military to be able to try to deal with that in a reasonable manner.

We need to work to change our pension laws, the government's pension laws, to allow people to retreat into retirement rather than forcing them to go all or nothing. We have a lot of skills and knowledge and expertise. Many people want to start working part time and retreat into retirement, but then they can't access their pension. We need to figure out, just as the private sector is doing, to allow more flexibility to retain that knowledge, given work force imbalances, skill shortages and other factors.

We need to move, over time, to a more reasonable compensation approach that is focused more on skills and knowledge and performance; and we need to look at some things that don't sound that significant but they add insult to injury. Things like frequent flyer miles. The private sector has for years allowed individuals who fly on their own time to keep their miles. You know the burdens of flying nowadays—it is not a pleasant experience. In times of budget deficits it is understandable how you might want to recapture those miles, but our people are already underpaid, overtraveled, overworked, and now we have a budget surplus. It almost adds insult to injury to say you need to give those miles back. We need to revisit that policy in order to be more competitive going forward.

Last, records access issues. More and more of what government is doing involves a partnership between Federal, State and local levels as well as public private. We are seeing more and more that the issues that we are being asked to address are requiring us to access records outside the Federal Government—at the State and local level, and the private sector. This is going to be an issue that is going to be increasingly important that we need to work with Congress on how best to address with regard to proposed expansion of Federal programs. For example, prescription drugs, where a lot of research and analysis needs to be done, is not in the Federal Government. It is in the private sector, and it is in the State and local government areas.

Mr. Chairman, that concludes my summary. I very much appreciate your time, both your time and attention; and I am more than happy to answer any questions that you might have. Thank you.

Mr. HORN. Well, we thank you. That is a very fine statement.

[The prepared statement of Mr. Walker follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Management, Information and Technology, Committee on Government Reform, House of Representatives

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GAO: SUPPORTING CONGRESS FOR THE 21ST CENTURY

Statement of David M. Walker
Comptroller General of the United States

GAO/T-OCG-00-10

Mr. Chairman, Congressman Turner, 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 highlight the important role that GAO plays to support the Congress for the benefit of the American people.

In my testimony today, I will discuss the many national and international concerns that confront our nation and the Congress, the ways in which GAO can support the Congress now and in the future, and GAO's performance in accomplishing its mission. While GAO has evolved over the years, its current mission is straightforward: GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

Evolution of GAO

GAO was created in 1921 as a result of the Budget and Accounting Act, a law designed to improve government financial controls and management in the aftermath of World War I. Wartime spending had increased the national debt, escalated costs for many government purchases, and created substantial disarray in the financial operations of the War Department and other agencies. The Congress also recognized a need for better financial information and controls over costs. As a result, the new law required the President to prepare an annual budget, and it transferred from the Department of the Treasury to GAO the government's auditing, accounting, and claims functions.

During the 1920s and 1930s, GAO focused on pre-audit payment work and whether government spending had been handled legally. The bulk of GAO's work centered on the auditing of agency vouchers; GAO clerks checked vouchers and settled the accounts of executive branch disbursing officers. Departments and agencies sent their vouchers to GAO, which checked the legality, propriety, and accuracy of expenditures.

GAO's workload increased in the 1930s as federal money poured into New Deal recovery and relief efforts to combat the Great Depression during President Franklin D. Roosevelt's administration. GAO, which started out with about 1,700 employees, had a workforce that numbered nearly 5,000 by 1939. Although Washington remained the center of GAO's activities, the agency's auditors first began doing fieldwork in the mid-1930s. For one early fieldwork assignment, GAO looked at the operation of government agriculture programs in Kentucky and several southern states.

With the U.S. entry into World War II, GAO faced enormous challenges. The agency continued to do the same type of work it had done before the war but with vastly increased volume. Defense production soared after 1941 as the nation's factories geared up to meet the demands of war. Government offices expanded, churning out mountains of expenditure forms for GAO to examine. GAO reviewed defense contracts and audited the accounts of Army and Navy disbursing officers. The war effort created a blizzard of transportation vouchers for GAO to review as the government used the nation's rails and roads to carry freight and troops. GAO hired additional audit clerks and freight examiners, nearly tripling the size of the agency to nearly

15,000 by 1946. The paperwork was so intense that GAO faced a backlog of 35 million unaudited vouchers in 1945 and had to spend several years catching up on work. Overall, GAO handled a staggering backlog of paperwork as a result of the war: in 1947, GAO reconciled 490 million checks and audited 92,000 accountable officers' accounts, 5 million transportation vouchers, 1.5 million contracts, and 260 million postal money orders.

GAO's wartime experiences spelled the end of the voucher-checking era. The increase in paperwork showed how difficult it was for a single agency to keep up with examining every government disbursement. The war also highlighted a number of accountability issues. In the 1940s, then Comptroller General Warren repeatedly pointed to the lack of accountability of government corporations and problems with contract fraud. Warren applauded the passage in 1945 of the Government Corporation Control Act, which authorized the auditing of wholly owned government corporations and mixed ownership corporations. Responding to the requirements of the act, Warren created a Corporation Audits Division in 1945. He began hiring accountants to perform annual audits of government corporations.

With passage of the Budget and Accounting Procedures Act of 1950, GAO as a whole shifted to comprehensive auditing of government agencies. Instead of concentrating on individual fiscal transactions, GAO began reviewing financial management and internal controls at government agencies. Responsibility for checking vouchers shifted to the various executive agencies, as GAO focused on prescribing accounting principles, performing audits on agency sites, and checking financial controls and procedures.

The move to comprehensive auditing represented a major turning point for GAO. At the same time, GAO returned to its pre-war size. The agency reduced the number of voucher clerks in its employ and began hiring accountants. Indeed, the modern GAO began to emerge in the 1950s and 1960s.

GAO responded to its new mission by recruiting and training a broader array of staff, and working to set standards that professionalized the workforce. To keep a watchful eye on spending at home and abroad, GAO formally established a network of field offices throughout the United States in the early 1950s and opened a European office in 1952. The scope of GAO's work expanded again during the 1960s as President Johnson initiated the Great Society's War on Poverty. The number of federal grants-in-aid rose sharply and the rapid growth in federally assisted programs placed enormous administrative control burdens on government at all levels.

Let me note at this point that all the Comptrollers General made substantial contributions to GAO, and I am particularly pleased to be here with my immediate predecessors, Elmer Staats and Charles Bowsher -- both made enormous contributions to the agency. First came Comptroller General Staats, who took office in 1966, and was a driving force behind GAO's emphasis on program evaluation and making the agency's work more useful to the Congress.

The growth in congressionally based work, combined with the expansion of government programs, was responsible for a significant change in the makeup of GAO's employees. GAO's staff, mostly accountants, began to change to fit these new assignments. In the 1970s, GAO started recruiting social scientists, computer professionals, and experts in such fields as health care, science, public policy, and information management. In 1980, most of the agency's

auditors and management analysts were reclassified as evaluators to reflect GAO's varied work. During Staats' tenure, GAO relied on new technological tools as well as employees with diverse academic degrees. In the 1970s and 1980s, the agency made increasing use of computers in its audit and administrative operations.

Staats was also a leader in recognizing the importance of international interaction in the accountability field. He made major contributions to the development of the International Organization of Supreme Audit Institutions (INTOSAI), which includes 179 countries, and he also created an international fellows program at GAO to provide support, training, and guidance to a cadre of key individuals from accountability organizations worldwide. Eighty-nine countries have participated in the International Auditor Fellowship Program and 279 individuals have graduated from the program since 1979. Indeed, 12 former fellows have since become the Auditors General in their countries, and many more have served as Deputies or in other high-level posts.

Comptroller General Bowsher also made major contributions to GAO and to the improvement of financial management and government operations. Bowsher continued the emphasis on personnel improvement, strengthening the recruitment of people with diverse professional backgrounds and providing them with improved tools and work incentives. He expanded GAO's training curriculum and strengthened the Training Institute.

Bowsher also helped to lead the government's growing emphasis on management reform and performance and accountability issues. During his tenure, Bowsher paid close attention to budget issues, warned about the dangers of the increasing deficit, and worked to improve federal financial management. In part due to GAO's work and leadership, the Congress passed a series of laws designed to improve the management and performance of government, including:

- the Chief Financial Officers Act–which created CFOs in all major agencies;
- the Government Performance and Results Act–which created a requirement for measuring and reporting on agencies' performance;
- the Paperwork Reduction Act of 1995 –which streamlined government paperwork and reporting requirements;
- the Government Management Reform Act–which requires the government to prepare an annual consolidated financial statement audited by GAO;
- the Federal Acquisition Streamlining Act –which is helping to make government acquisition more efficient and effective; and
- the Single Audit Act.

During Bowsher's tenure, GAO first began doing general management reviews, which looked at broad organizational and management issues at government agencies. GAO also initiated a series of high-risk reports, now issued every 2 years, to provide information on federal activities susceptible to waste, fraud, abuse, and mismanagement.

When I became Comptroller General in November 1998, I committed GAO to helping the Congress address issues that will define the 21st century. Today, GAO conducts a wide range of financial and performance audits and program evaluations and reviews the business and mission

of government. GAO's work covers everything from the challenges of an aging population and the demands of the information age to emerging national security threats and the complexities of globalization. GAO is also committed to management reform--to helping government agencies become organizations that are results-oriented and accountable to the public.

Ultimately, we may find that GAO needs a new name – the words "general accounting office" do not really capture our more complex role anymore. It might be more appropriate to consider something closer to "government accountability office." It more clearly conveys our role and the expectations of our clients in the Congress, the press, and the public. It might also help us in our recruiting efforts in the increasingly competitive marketplace.

GAO's core values of accountability, integrity, and reliability reflect its dedication to good government and professional standards. Accountability describes the nature of GAO's work in helping Congress oversee federal programs and operations to ensure effective and efficient government for the American people. The agency's work reflects integrity because it is professional, objective, fact-based, nonpartisan, nonideological, fair and balanced. GAO strives also for reliability by providing high-quality information that is timely, accurate, useful, clear, and candid.

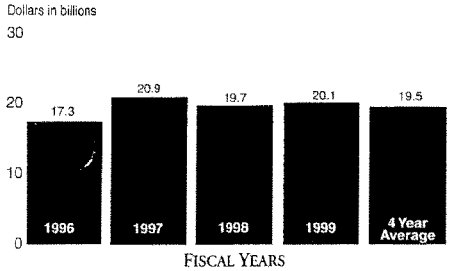
GAO relies on a workforce of highly trained professionals who hold degrees in many academic disciplines, such as accounting, law, engineering, public and business administration, economics, and the social and physical sciences. I am extremely proud of GAO's workforce, of its dedication and excellence, and of its service to the betterment of government and the country. One of my principal goals for GAO is that we not only work to improve government, but that we also work to improve ourselves. I look for GAO to become a model organization in the federal government and I am convinced that, because of our employees, we will achieve that goal.

GAO's Accomplishments

Mr. Chairman, I am also proud of GAO's accomplishments in supporting the Congress and helping improve the performance and accountability of government for the benefit of the American people.

During fiscal year 1999, GAO made substantial contributions to help the Congress and the executive branch agencies improve government programs and services. It provided more than $20 billion in direct financial benefits, recommended over 600 actions that have led to improvements in government operations, and provided 229 testimonies requested by congressional committees. While many of GAO's contributions cannot be quantified in dollar terms, those that can be quantified show that GAO returned over $57 for every $1 appropriated to the agency in fiscal year 1999.

Figure 1: Financial Benefits



GAO succeeds in its mission when its findings and recommendations lead to improvements wherever federal dollars are spent. The following examples illustrate some of the financial benefits that GAO has helped the Congress and the executive branch achieve:

- To help the government better realize the value of its assets, GAO suggested ways the Congress and the Department of Energy (DOE) could increase the profitability of oil sold from the federally owned Naval Petroleum Reserve at Elk Hills, California. GAO testified before the Congress that the government would see a greater return from the sale of Elk Hills than from retaining ownership. GAO's suggestions for changes to the sale process were adopted by DOE, resulting in proceeds of over $1.5 billion above the original sale price.

- GAO has helped agencies to achieve greater savings from more efficient operations. The Congress recently enacted legislation based in part on GAO's recommendations to strengthen Medicare's safeguards against fraud and abuse. These improvements saved the Medicare program approximately $2.2 billion over fiscal years 1998 and 1999. Similarly, GAO recommendations included in Medicare program legislation will produce a gradual reduction, through fiscal year 2001, in the overly generous "adjustment factor" designed to compensate teaching hospitals for higher Medicare costs. This legislative change is estimated to produce $1.5 billion in savings for the program in fiscal years 1999 and 2000.

- GAO has made recommendations to streamline the tax system and help support the Congress in its long-term fiscal decisions. Based on GAO's evaluations, for instance, the Congress changed the tax laws pertaining to the Earned Income Tax Credit. Specifically, the government avoided an estimated $1.3 billion in payments for the 5-year period ending in fiscal year 2000 through changes to the wealth, capital gains, and passive income tests for the Earned Income Tax Credit eligibility criteria. Similarly, as part of the Small Business Job Protection Act, the Congress phased out tax credits to corporations for certain income earned in Puerto Rico and U.S. possessions. GAO's work on this issue contributed to an estimated $1.3 billion in financial benefits for fiscal years 1996 through 2000.

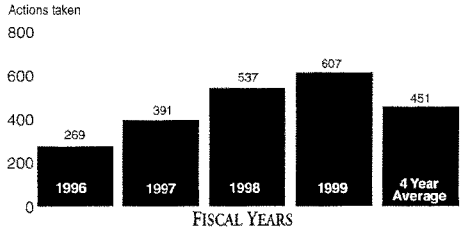
- GAO also helped the Congress and agencies identify and reduce unnecessary spending. As part of its ongoing work in housing issues, GAO has provided assistance to improve the

accuracy of the Department of Housing and Urban Development's (HUD) budget and resource estimates. GAO reported that HUD's method for estimating funding for its Section 8 housing assistance resulted in requests that exceeded the agency's needs. The Congress directed HUD to submit revised estimates, after which HUD's fiscal year 1998 budget was reduced by about $1.3 billion in light of the streamlined projections. As a result, the Congress also rescinded $2.4 billion from HUD's fiscal year 1998 supplemental request. GAO's recommendations helped HUD avoid additional costs of about $1.1 billion in fiscal year 1999. Based in part on these examples, GAO audits and recommendations helped the Department save an estimated $5.3 billion in fiscal years 1998 and 1999.

- Similarly, as part of its assistance to the Congress in reviewing the fiscal year 1999 Department of Defense (DOD) budget request for military personnel, GAO identified areas where the budget could be reduced. These included excess manpower costs due to over estimated military personnel levels, unnecessary advance pay, and funds not needed due to gains from changes in foreign currency exchange rates. As a result of GAO's work, the Congress reduced the fiscal year 1999 military personnel budget for active and reserve forces by about $609 million without compromising overall readiness.

In addition to the financial benefits resulting from GAO's work, the agency's efforts also contribute to numerous qualitative improvements in government operations and services. During fiscal year 1999, GAO contributed to 607 such benefits achieved by the government, a 13-percent increase over fiscal year 1998. Benefits resulting from GAO's recommendations included better public safety and consumer protection, more efficient and effective government operations and services, help in ensuring Year 2000 readiness, and improvements to computer security.

Figure 2: Improved Government Operations Resulting From GAO Recommendations



Some examples of GAO's contributions to improved government operations follow:

Public Health and Safety

- GAO has assisted the Congress and the agencies in efforts to improve public health. For example, since 1998 GAO has issued a series of reports on Medicaid highlighting widespread inadequate health care quality in some of the nation's nursing homes. As part of its evaluation, GAO made a series of recommendations to the Health Care Finacing

Administration (HCFA) for improvements to its nursing home survey process and for stronger enforcement in instances when nursing homes repeatedly violate regulations and do not correct deficiencies. As a result, HCFA developed a set of initiatives designed to improve patient care and eliminate deficiencies. Based on GAO's work, HCFA now requires states to investigate serious complaints alleging harm to residents within 10 days, has proposed an expansion of its enforcement programs by subjecting homes with repeated serious deficiencies to immediate sanctions, and has revised the protocols that state surveyors use to inspect nursing homes to better focus the reviews.

GAO's reports have also convinced some states to improve their oversight of nursing homes. In response to GAO's finding that serious complaints of poor nursing home care frequently are not investigated for months, Maryland's legislature approved funding for a 57 percent increase in its surveyor staff, and the state agency revamped its processes to emphasize a faster review of serious complaints.

- GAO has also made significant contributions to improving criminal justice. For instance, GAO has reported on the prevalence and costs of identity fraud involving the illegal use of another person's identifying information (such as name, date of birth, or Social Security number) to commit financial crimes. Illegal activities range from the unauthorized use of a credit card to a comprehensive takeover of financial accounts. Largely in response to GAO's work, the Congress enacted legislation that criminalized the theft and misuse of personal identifying information and provided legal recognition for the victims of fraud.

- Transportation safety is another important area in which GAO has helped to improve government operations and the public's quality of life. In one instance, GAO reported that the Federal Railroad Administration (FRA) had few regulations involving passenger car safety for Amtrak or commuter rail operations. As a result, inspectors provided little oversight of passenger car safety. GAO recommended that the agency establish appropriate criteria for the condition of safety control components on passenger cars. Addressing GAO's recommendation, FRA established comprehensive structural safety standards for passenger equipment and created more stringent safety standards for high-speed passenger rail service.

More Efficient Government

- Many of the government's large entitlement programs are susceptible to fraud, waste, and mismanagement. One example of GAO's contribution to improving government performance and preventing fraud and waste is in the Supplemental Security Income (SSI) program--the nation's largest cash assistance program for the poor. GAO reported that the program's financial integrity was ineffective because the program has overpaid beneficiaries by more than $3.3 billion. The magnitude of overpayments, and the Social Security Administration's (SSA) inability to recover outstanding SSI debt, led to the program's inclusion on GAO's high-risk list. Based on GAO's work, SSA is expanding its use of online data to better verify financial information about recipients and prevent future overpayments. SSA is also seeking statutory authority for additional tools to recover current overpayments.

- GAO has played an important role in helping the Congress and the agencies improve the government's computer security and make more effective use of technology in the delivery of federal services. The Congress has been extremely concerned about the government's ability to prevent intruders from accessing government's extensive computer and information systems. As a result, over the past several years, GAO has issued more than 80 reports on data and systems security including hundreds of recommendations for correcting both individual weaknesses and the systemic causes of security problems. GAO's work has led to improvements in many agencies, including the development of entitywide security management practices. It has also led to computer security and other information technology-related legislation.

  In addition to its reviews of individual agencies, GAO has developed techniques and practices that can be applied across the government. This work has made significant contributions to agencies' abilities to develop and implement sound security policies. The information security management practices identified in GAO's executive guides have been incorporated into policy guidance at many federal agencies. Additionally, GAO's *Federal Information System Controls Audit Manual* is now used by most major federal audit entities to evaluate computer-related controls.

In discussing GAO's contributions and accomplishments, it is important that we engage in a select amount of research and development work to ensure that GAO can meet the institutional needs of the Congress over the long term. This investment has made major contributions to the performance, stability, and accountability of the government and the protection of tax dollars. As I will discuss later in this testimony, GAO's flexibility to engage in this important component of our work has been increasingly constrained by other demands on our resources.

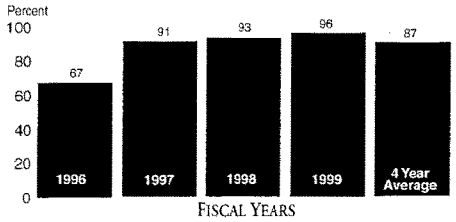
Among the most important work that GAO has done are reviews related to the Year 2000 (Y2K) computing challenge. GAO's work on Y2K began through its research and development program, but the vital importance of this issue has manifested itself in many congressional requests for work that the agency received in fiscal years 1998 and 1999. In early 1997, GAO designated Y2K as a high-risk area to highlight the government's exposure. Throughout 1997, 1998, and 1999, GAO worked closely with the Congress on Y2K issues–including this subcommittee. The Senate created the Special Committee on Year 2000 Technology Problem and the House called on this Subcommittee and the Subcommittee on Technology of the Committee on Science to lead its Y2K monitoring. With leadership from you, Mr. Chairman, and your colleagues, congressional committees examined the implications of Y2K on various government operations and in key economic sectors.

GAO produced a set of four guides to help organizations confront the problem. GAO also issued over 160 reports detailing specific findings and made over 100 recommendations to agencies and to the President's Council on Year 2000 Conversion for improving the government's readiness. For example, GAO recommended that the President's Council on Year 2000 Conversion require agencies to develop contingency plans for all critical core business processes. Accordingly, the Office of Management and Budget clarified its contingency plan instructions and, along with the Chief Information Officers Council, adopted GAO's business continuity and contingency planning guide for federal use, thus reducing the risks of disruption to major programs and

services.

Finally, let me note that GAO is proud of its record in providing timely service to the Congress. As figure 3 indicates, GAO has consistently improved its ability to promptly meet congressional requests. In 1999, GAO provided the Congress 96 percent of its products on time.

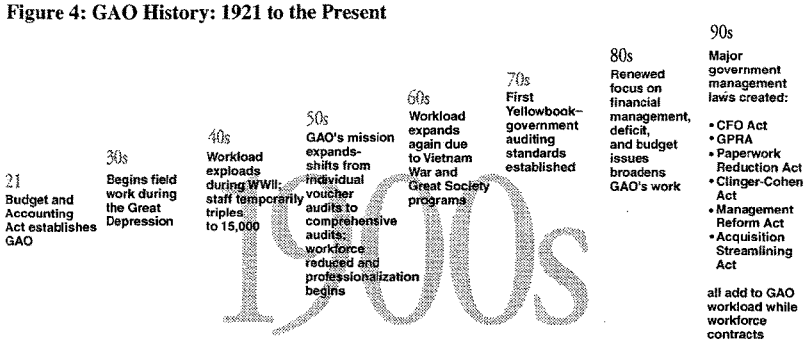
Figure 3: Product Timeliness



Complex Issues and Governance Challenges

Mr. Chairman, as I am sure you appreciate, the issues confronting the Congress and the American people have grown more complex in recent years. The pace of change has accelerated for government and for the country as a whole. The increasing challenges facing the country over the long term have had a long-lasting impact on the nature of GAO as an organization and on how it supports the Congress. Where, in the early years of GAO's existence, changes to its roles and responsibilities and to the demands placed on it occurred more slowly, there is no question that the environmental changes affecting its mission in recent years have been more persistent and have occurred more rapidly. In fact, the timeline of major events in GAO's existence (see figure 4) reveals the increasing development, complexity and influence of difficult public policy issues related to government activity and our accountability mission:

Figure 4: GAO History: 1921 to the Present



Likewise, it comes as no surprise that as a result of the increasing complexity and breadth of issues facing the Congress, the legislature is availing itself of GAO's services and support on an unprecedented and accelerating basis. While 70 percent of GAO's work was done as a result of congressional requests in 1996, it was 95 percent in 1999. Overall, congressional requests for GAO work have increased from 10 percent in 1966, at the start of the Staats era, to 95 percent, at the beginning of my term. Part of the reason for the Congress's increased reliance on GAO in recent years is the result of our ability to add unique value to the products and service we provide. With the advent of agency inspectors general and other similar organizations, GAO is no longer the only federal entity charged with improving the accountability of government. Nevertheless, GAO is the only agency that can consistently provide the Congress and the executive branch with analysis, options, and recommendations that are long range, broad, in coverage, and integrated in the development and presentation of critical information. GAO's efforts are multilateral and cognizant of the international implications of issues ranging from security to the environment. And they also reflect the nuances of American federalism, ensuring that implications of service delivery and devolution on state and local governments and on the private and nonprofit sectors are factored into all of its work. In the end, there is no question that effective stewardship must consider how increasingly diverse approaches to public sector responsibilities are leading to diffuse accountability.

I am convinced that GAO is now entering another significant era that will take its place on the timeline of the agency's historic key events. GAO has worked hard to make the transition from an accounting and pre-audit environment to become a diversified, multidisciplinary accountability and professional services organization. As I have discussed, my predecessors did a tremendous amount to ensure that GAO had the capacity and capabilities to serve the Congress and prepare for the future during their tenure. And I, at the start of the 21st century, have begun to do the same thing.

Clearly, much has already changed as GAO has grappled with this critical transition. As the following graphs show, GAO has over the years seen considerable changes in its staffing and budget allocations–levels that, unfortunately, did not generally reflect its workload and the growing demands placed on it by the Congress. Reductions in its resource levels, combined with

increases and shifts in its workload have in recent years prompted GAO to take strong measures to more efficiently accomplish its mission. For example, GAO has taken significant steps to consolidate its field office structure. GAO has been able to close field offices both in the United States and overseas–much of it through attrition–and achieve gains in productivity and collaborative work environments. At the same time, GAO's flexibility has been reduced by extensive changes to the mix of its products–as mentioned, virtually all of its work is done at the request of the Congress, and an increasing amount of that stems from mandates.

The following charts highlights the changes I am discussing:

Figure 5: GAO Staff Levels

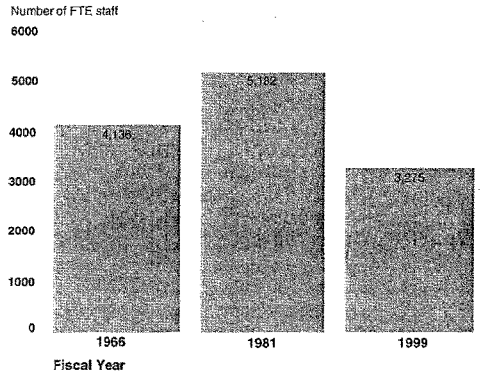


Figure 6: History of Field Office Structure

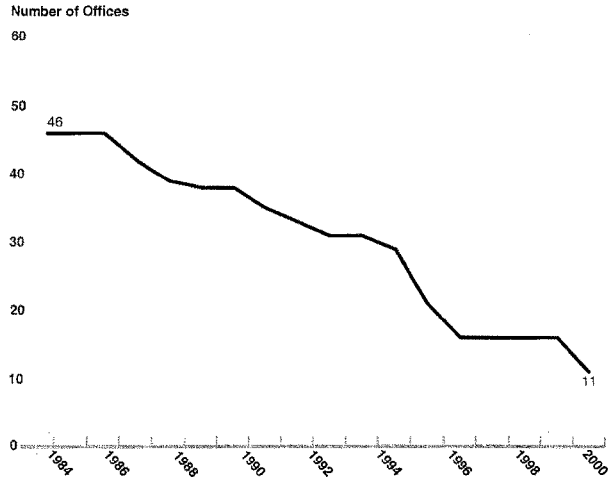
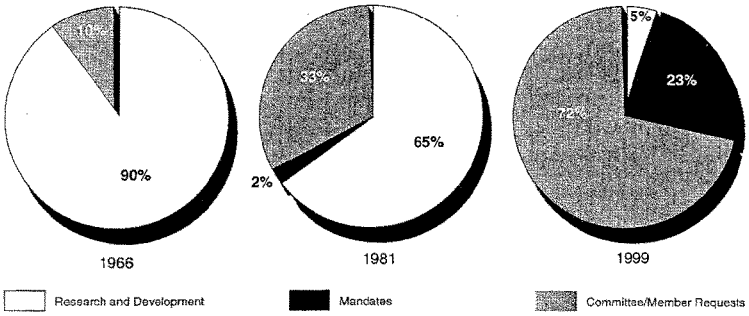


Figure 7: Work Conducted For the Congress



In a nutshell, GAO currently stands at an important crossroads in its history and in its ability to provide the unique support the Congress and the American people expect from it. Many of the activities GAO has undertaken are designed to ensure that the agency is properly positioned to fully support the Congress as it faces the future.

Since I became Comptroller General, one of the most important activities in which GAO has been engaged is the development of its first strategic plan for the 21st century. This document is a blueprint for how GAO will support the Congress as it continues to face complex issues and challenges. Building on global changes that are impacting society on a variety of levels, GAO's strategic plan develops a comprehensive and focused structure of long-term goals and objectives to support the Congress in its legislative, oversight, and investigative roles. GAO worked closely with legislative and committee leadership, individual members, and staff in the development of this strategic plan. Thus, this plan not only incorporates congressional views about what it believes to be important and emerging issues, it also establishes a framework for seeing fundamental constitutional responsibilities in the context of current challenges and emerging changes in the coming years.

GAO has developed a set of strategic goals and objectives that will help to support the Congress in its decisionmaking and improve the performance and accountability of the executive branch. GAO's plan presents four strategic goals that will help the Congress perform its constitutional responsibilities and ensure GAO's ability to continue providing effective, quality support to its clients.

The due diligence that GAO has expended to develop its strategic plan in concert with the Congress has identified a number of complex issues that are not easily solved. These issues are reflected in the goals and objectives of the plan and will serve as the guide for GAO's work priorities in the coming years. Many of these issues will take years to resolve satisfactorily, but by focusing on these issues now, the Congress will be much better positioned to meet its responsibilities for governing as it begins to confront these current and emerging challenges. There is no question that the cold war has ended, and we won. In addition, after nearly 30 years of budget deficits, the combination of hard choices and remarkable economic growth has led to budget surpluses. As a result, we transition into this new century with different security concerns and an improved financial position relatively free of the deficit constraints of the recent past. In order to prepare effectively for the future, however, we must fully explore the major dynamic that will shape the United States and its place in the world and adequately prepare the federal government to meet the challenges that lie ahead. This subcommittee is uniquely positioned to consider these broad-based and crosscutting challenges and what needs to be done to address them.

Three of GAO's strategic plan goals focus on how GAO can help support the Congress in dealing with many complex issues and the challenges of government. These goals, the strategic objectives, and the major thematic issues that influence them are as follows:

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

GAO's first strategic goal focuses on several of the aspirations of the American people defined by the Founders: *"to establish justice, insure domestic tranquility...promote the general welfare, and secure the blessing of liberty to ourselves and our posterity..."* The country's aging and

increasingly diverse population, rapid technological change, and Americans' desire to improve the quality of life all have major policy and budgetary implications for the federal government. In particular, growing commitments to the elderly will make it difficult for a smaller generation of workers to finance competing claims on the nation's future.

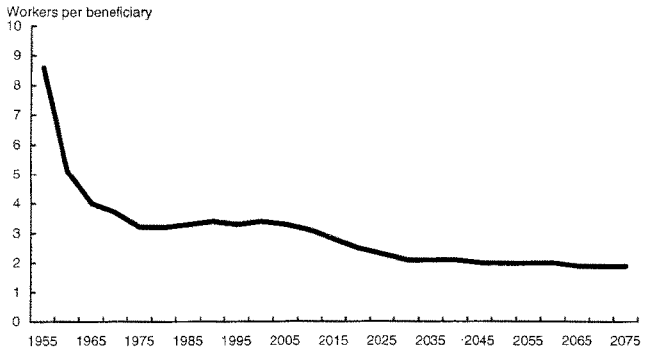
To support the Congress in its decision-making in this area, GAO will focus significant resources on the following important strategic objectives:

- researching possible options to meet the health care needs of an aging and diverse population;
- examining ways to ensure a secure retirement for older Americans;
- reviewing the social safety net for Americans in need;
- supporting efforts to provide for an educated citizenry and a productive workforce;
- helping the Congress strengthen a system of justice that is effective in controlling crime, illegal drug use, and illegal immigration;
- providing analysis and other support concerning the effectiveness of investments in communities and economic development;
- researching ways to increase responsible stewardship of natural resources and the environment; and
- helping the Congress maintain a safe and efficient national physical infrastructure.

One of the important issues that reflect this goal and its objectives is **Demographics.** The profound changes forecast in the age and composition of our population will have enormous consequences for the retirement and health care entitlement programs as well as programs supporting the workforce.

The population is growing older. By 2030, about one fifth of the U.S. population is projected to be over age 65, compared with about 13 percent in 1998. Also by 2030, Medicare beneficiaries, who include the disabled as well as the elderly, are expected to account for 20 percent of the population. The result will be that fewer workers will be paying into Social Security for every person receiving benefits. As shown in figure 8, in 1955, almost 9 persons were paying into Social Security for every person receiving benefits. Today, the ratio is down to 3.4 to 1, and, by 2030, it is projected to be about 2 to 1.

Figure 8: Social Security Workers per Beneficiary



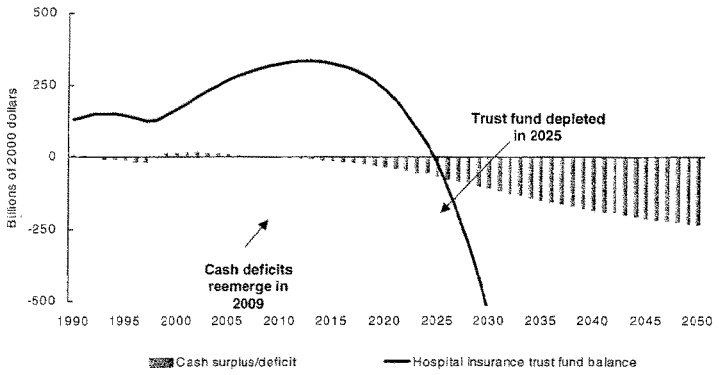
Note: Projections based on intermediate assumptions of The 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.

Source: Office of the Actuary, Social Security Administration.

These trends will have enormous financial repercussions for the solvency and sustainability of federal entitlement programs. The Medicare Hospital Trust Fund has operated in the red since 1992 and is projected to face insolvency in 2025. Social Security expenditures are expected to exceed payroll tax revenues beginning in 2015, with trust funds being depleted by 2037.

But crafting a solution to financing these entitlement programs involves more than the traditional approach of closing the gap between projected expenditures and revenues over a fixed time period, such as 75 years. Rather, any financing solution needs to achieve *sustainable* solvency that balances projected expenditures and revenues without requiring us to frequently revisit the financing of these programs.

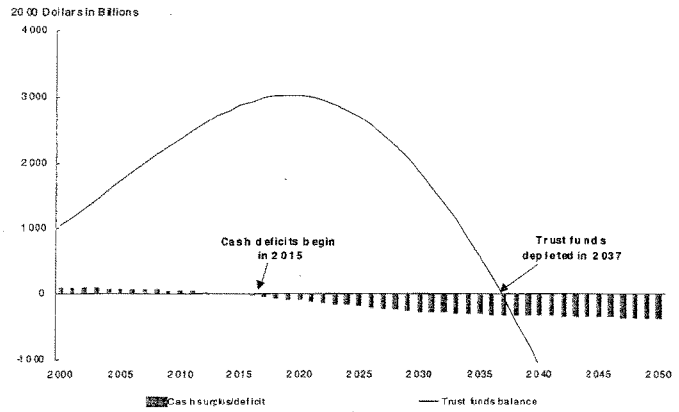
Figure 9: Medicare's Hospital Insurance Trust Fund Faces Insolvency in 2025



Note: Projections based on intermediate assumptions of *The 2000 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund.*

Source: GAO analysis of data from the Office Management and Budget and the Office of the Actuary, Health Care Financing Administration.

Figure 10: Social Security Finances



Note: Projections based on intermediate assumptions of *The 2000 Annual Report of the Federal Old-Age and Survivors Insurance and Disability Trust Funds.*

Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration.

The population is also becoming more diverse. Women and minorities as a proportion of the workforce have grown significantly. This trend, along with the increased use of part-time and other flexible work arrangements, has implications for federal policies and programs related to education, training, childcare, immigration, and retirement, and other areas. Although the increased presence of women and minorities caused substantial growth in the U.S. labor force in recent decades, this trend seems to be changing. Projections for the future are that the annual growth in the labor force will be only about 1 percent in the short term and that this growth rate may even decline over the long term. These trends further exacerbate the current tight labor market for specialized skills and key sections of the economy, suggesting the need for more policies designed to encourage people to retreat gradually from work rather than plunge into retirement.

Another major concern is **Quality of life.** It has improved for many but not for all Americans. At the same time, prosperity is placing greater stresses on the quality of life.

The long period of strong economic performance has been accompanied by economic prosperity. People are typically living longer, with average life expectancy rising to age 76 over the past 20 years, while unemployment has fallen to low levels, and violent crimes have dropped by 20 percent since 1990. The quality of the physical environment has also improved, as levels of major air and water pollutants have dropped since 1970.

However, many challenges remain. For example, the disparities between the net worth of those without a high school education and those with more education increased between 1989 and 1998. While unemployment has reached record or near-record lows for African-Americans and Hispanics, unemployment rates for these two groups still stand at nearly twice the rate for whites, and more than 40 million Americans lack health insurance. Given the large federal role in health care delivery and financing, there is a need to weigh the needs of Americans against their wants and the overall affordability of health care considered by policymakers.

At the same time prosperity is placing greater stresses on quality of life. Greater economic activity, for example, increases air and highway traffic and heightens concerns about congestion, safety, and environmental quality. The shift to a more technologically based economy raises long term concerns about education, while population growth and geographic shifts, such as urban sprawl, place greater strains on transportation and other infrastructure. Over the coming years, these demands for new investment will increasingly come into competition with other national priorities, creating difficult choices for the federal government.

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT TO RESPOND TO CHANGING THREATS TO NATIONAL SECURITY AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

As the world grows more interconnected through open markets and technology, the United States faces threats to its national security and economy from new sources. Simultaneously, the federal government is trying to promote foreign policy goals, sound trade policies, and other strategies to help nations around the world that the United States now depends on as military allies and trading partners. GAO expects to continue its role in supporting efforts by the Congress and the executive branch to assess and respond to changing threats to national security and the challenges of global interdependence.

To support the Congress in its decision-making in this area, GAO will focus significant resources on the following important strategic objectives:

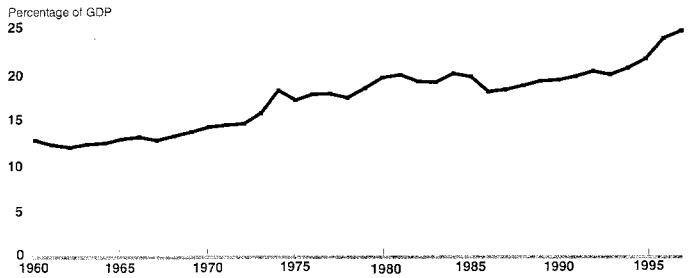
- helping the Congress respond to diffuse threats to national and global security,
- providing analysis and other support to ensure military capabilities and readiness,
- supporting efforts to advance and protect U.S. international interests, and
- reviewing ways to recognize and respond to the impact of global market forces on U.S. economic and security interests.

Several of the important themes influencing this goal and its objectives include globalization and national security. **Globalization,** or the interdependence of enterprises, economies, and

governments, presents new opportunities for U.S. producers and consumers, but also new challenges for the country.

With rapid advances in technology and the ease with which people, enterprises, and goods can cross borders, the economies and activities of nations have become increasingly interdependent. From 1960 through 1997, world exports increased from about 12 percent to about 24 percent of world GDP (gross domestic product). Multinational enterprises are an important part of the trend towards globalization. In 1997, 63 percent of U.S. exports and 40 percent of U.S. imports were associated with U.S. parent corporations or their foreign affiliates.

Figure 11: World Exports as Percentage of GDP



Source: World Bank.

The United States has been a principal architect of an open world trading system and has benefited greatly. However, open trade has increased the complexities of maintaining the U.S. economy. Interdependence of the U.S. and foreign economies is illustrated by foreign investment in U.S. business, which has increased to over $200 billion in 1998, an amount nearly three times that invested the year before.

As the U.S. economy becomes increasingly linked with the global economy, international trade is growing in importance as a foreign policy issue. At the same time, significant national security issues also need to be considered. The effectiveness of regional and global trade arrangements in achieving their desired outcomes is being questioned at home and abroad. Critics have expressed concern that the United States has not been sufficiently aggressive in monitoring and enforcing over 300 international trade agreements that cover hundreds of billions of dollars in trade and affect millions of U.S. jobs, and that some decisions by the World Trade Organization could compromise U.S. sovereignty.

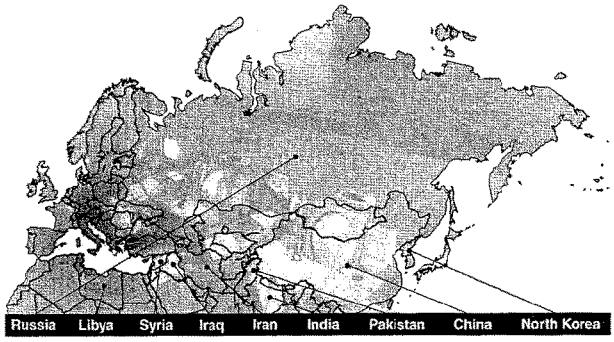
Recent financial crises in developing nations highlight the implications of the interdependence of economies and financial systems. For example, the emergence of financial difficulties in Thailand in 1997 was followed by financial crises in Indonesia and Korea, and eventually Russia and Brazil. Fear that these crises could severely affect U.S. economic and security interests have

(1) focused attention on the interdependence of U.S. and global economies and (2) raised questions about what can be done to prevent or contain the spread of such crises. The International Monetary Fund is a key organization that the United States cooperates with to maintain global economic stability. Prompted by financial crises and government corruption in some countries, questions have been raised regarding their effectiveness and roles in maintaining the health of the global finance and trade systems and resolving countries' financial crises.

Economic and financial interdependence are not the only global trends with implications for this country. Increased globalization of information technology has resulted in significant new security and privacy threats to our nation's information network. Similarly, the spread of diseases around the world, like AIDS, and the global nature of environmental problems affect us and also call for a coordinated international response. Thus, in the future, federal responses to problems will increasingly have to consider international as well as national dimensions.

The nation's **security** concerns reflect new, diverse, and diffuse threats of national, economic, and personal dimensions. Less restricted trade, expanding democracy and capitalism, and rapidly developing technology have broadened security concerns and changed the way the United States prepares for conflict. In addition to more conventional military threats, the United States is confronting threats from terrorism; the proliferation of weapons of mass destruction; information warfare; the international drug trade; and other more diffuse sources, which are harder to identify, respond to, and contain. Figure 12 shows the countries that possess weapons of mass destruction posing national security concerns to the United States.

Figure 12: Countries With Weapons of Mass Destruction Posing National Security Concerns



Sources: DOD and State Department.

The bombings in New York City in 1993 and in Oklahoma City in 1995 have elevated concerns about the spread of terrorism to the United States. More than 40 federal agencies, offices, and bureaus spend over $10 billion a year to combat terrorism.

The structure of U.S. armed forces has been reviewed a number of times since the end of the Cold War, resulting in substantial reductions. The Congress has expressed concern that the forces that remain may not be sufficient to implement the national military strategy and may not be sufficiently prepared to respond to the threats of the 21st century. In February 1999, the President proposed that DOD begin the first sustained increase in defense spending in 15 years, calling for additional resources totaling $112 billion over the next 6 years. In particular, defending the United States against an intercontinental ballistic missile attack from a rogue nation and protecting U.S. and allied deployed forces from theater missile attacks is receiving considerable attention. This year, activities leading to the President's deployment decision on a National Missile Defense system are moving ahead and improvements to key theater missile defense systems, such as the Theater High Altitude Area Defense system, are being instituted. The President has proposed about $24 billion in total funding of national and theater missile defense from 2001 through 2005.

Should disruptions occur, increasing reliance on complex interconnected computer systems essential to public well-being and the economy has created serious new vulnerabilities. Protection of transportation, energy, emergency services, financial services, and communication systems is becoming increasingly important because they rely heavily on information technology. Criminals, terrorists, and others, working anonymously from remote locations and with relatively limited resources, can now use computers to severely disrupt this infrastructure. An example of disruptions that could occur is provided by recent denial-of-service attacks on popular web-sites.

SUPPORT THE TRANSITION TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

American citizens are increasingly demanding improved government services and better stewardship of public resources. The federal government is adopting the principles of performance-based management in an effort to address these demands. This approach to managing government systematically integrates thinking about organizational structure; program and service delivery strategies; and the use of technology, reliable financial information, and effective human capital practices into government decisions. Many initiatives now under way across government to improve operations and strengthen accountability are being driven by management reforms statutorily established by the Congress.

The reforms that have been adopted so far have profound implications for what government does, how it is organized, and how it performs its services to the country and its citizens. Consequently, government decisionmakers and managers are adopting new ways of thinking, considering different ways of achieving goals, and using new information to guide decisions. At the same time, with budget surpluses now projected for the coming years, the U.S. government faces a new set of challenges, in both the near and long terms, in making budget decisions.

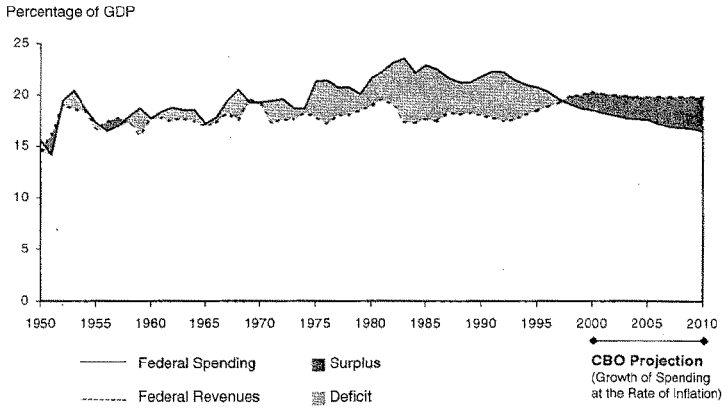
To support the Congress in its decision-making in this area, GAO will focus significant resources on the following important strategic objectives:

- analyzing the federal government's long-term and near-term fiscal position, outlook, and options;
- examining ways to strengthen approaches for financing the government and determining accountability for the use of taxpayer dollars;
- facilitating governmentwide management and institutional reforms needed to build and sustain high-performing organizations and more effective government; and
- recommending economy, efficiency, and effectiveness improvements in federal agency programs.

A number of important issues influence this goal and its objectives. They include a stable federal budgetary future, technological innovation, and improvements in the operations and service provision of government agencies.

Future Budget Issues. Our federal government has gone from budget deficit to surplus as a result of a burgeoning economy and difficult decisions by the Congress and the executive branch to control spending. Compared to the deficits of recent decades, today's surplus represents a historic turnaround, and current projections show surpluses continuing over the 10-year budget window, as figure 13 illustrates.

Figure 13: Federal Spending and Revenues, 1950-2010

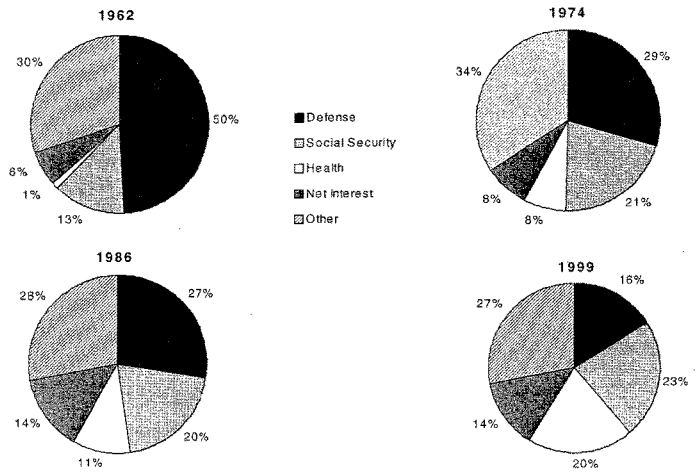


Note: These projections assume that discretionary spending grows at the rate of inflation after 2000.

Source: *Budget of the U.S. Government, Fiscal Year 2001,* Office of Management and Budget and the Congressional Budget Office's January 2000 projections.

This picture of today's fiscal good fortune, however, masks a change in the composition of federal spending during the past few decades. Relative to federal spending subject to annual appropriations—defense and nondefense discretionary spending—the share devoted to federal health programs and Social Security payments has grown steadily over time. Correspondingly, the share available for all other programs, including defense, has decreased, as shown in figure 14.

Figure 14: Distribution of Federal Spending, 1962-99

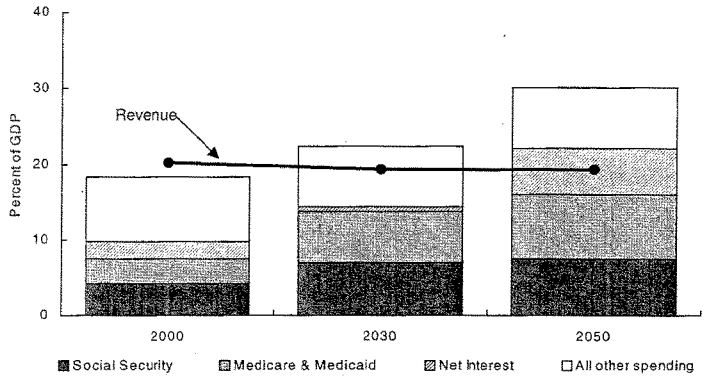


Source: Budget of the U.S. Government, Fiscal Year 2001.

Our long-term projections illustrate the consequences for the federal budget, assuming that these trends continue. While we may enjoy annual surpluses for some time, long-term projections show a resumption of a pattern of deficits emerging after the anticipated demographic tidal wave hits. Because of this coming demographic shift, to move into the future without making changes to federal retirement and health programs—Social Security, Medicare, and Medicaid—is to envision a very different role for the federal government. Even assuming, for example, that the Congress and the President adhere to the often-stated goal of saving the Social Security surpluses, our long-term model shows a world by 2030 in which these three programs alone would require almost three-quarters of total federal revenue. Budgetary flexibility would be drastically constrained, and little room would be left for such spending on programs for national defense, the young, infrastructure, and law enforcement. The government and the taxpayers will increasingly need to distinguish between wants, needs, and affordability of programs and

services in the coming years. Figure 15 shows spending as a share of GDP under the "Eliminate Non-Social Security Surpluses" simulation.

Figure 15: Composition of Spending as a Share of GDP Under "Eliminate Non-Social Security Surpluses" Simulation



Note: Revenue as a share of GDP falls from its 2000 level of 20.3 percent to slightly below CBO's level due to unspecified permanent policy actions that reduce revenue and increase spending to eliminate the non-Social Security surpluses. The "Eliminate Non-Social Security Surpluses" simulation can only be run through 2068 due to the elimination of the capital stock.

Source: GAO's April 2000 analysis.

In addition there are other looming fiscal pressures, such as:

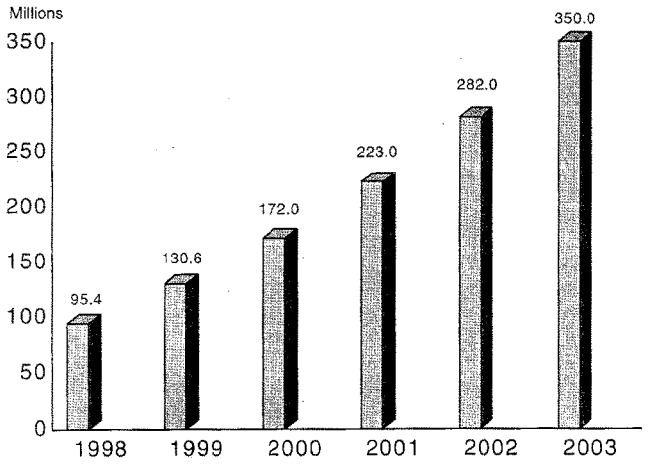
- clean-up costs from federal operations that yield hazardous wastes, including defense facilities and weapon systems;
- future claims on federal insurance programs by an increasing number of retired federal employees and military personnel; and
- demands for new investment to modernize physical infrastructure, public buildings, transportation systems, and sewage and water treatment plants that are beginning to deteriorate or become obsolete.

Today's surplus represents both opportunity and obligation. While the new surplus projections offer an opportunity to address today's needs, we should not forget our stewardship responsibility to reduce the debt burden and increase the choices we leave to future generations, to provide a strong foundation for future economic growth and to ensure that future commitments are both adequate and affordable. Continued debt reduction and entitlement reforms are both critical to promoting a more sustainable budget and economy for the long term. In the near- and medium-term, surpluses will depend on continued economic growth and fiscal restraint.

Technological innovation, especially in information technology, has enhanced productivity, but also created new vulnerabilities.

Information technology has transformed the ways we communicate, learn, use information, conduct commerce, practice health care, and build and design products. This trend is expected to accelerate, with investment in information technology expected to account for 40 percent of all capital investment in the United States by 2004. Roughly 172 million people around the world will have Internet access in the year 2000, and by 2003 and that number is expected to double. Businesses that produce computers, software, semiconductors, and communications equipment have accounted for over a third of the growth in the U.S. economy since 1992. Government too is being affected, with information technology providing new, more responsive and efficient ways of delivering services and information to citizens, in such areas as tax administration, higher education, transportation safety, and environmental protection.

Figure 16: Internet Users Worldwide, 1998-2003



Source: eMarketer (1999).

The connectivity and interdependence created through information technology also creates vulnerabilities. Computer security risks associated with the widespread use of information create the potential for disruptions to federal agencies and the private sector in aviation, banking, law enforcement, emergency services, and other critical services. The privacy and confidentiality of medical records, credit histories, and other personal data on millions of individuals stored in electronic databases are also at potential risk. Unless appropriately controlled, computerized operations can offer those with criminal or other malicious intentions numerous opportunities for committing fraud, tampering with data, or disrupting vital operations.

Faced with public demand for more **economical, efficient, and effective government**, countries around the world are undertaking major reform initiatives to improve government performance and accountability. These reform efforts being undertaken in major democracies are taking a generally consistent direction, requiring government organizations to focus more on results and less on process.

In the United States, American citizens are increasingly demanding improved government services and better stewardship of public resources. In an effort to meet these demands, the federal government is adopting the principles of performance-based management. As mentioned earlier, legislation enacted in the 1990s has provided a statutory framework that includes the Government Performance and Results Act of 1993, the Chief Financial Officers (CFO) Act of 1990 and related financial management legislation, and information technology reform legislation, including the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995.

The impetus for government reform came in part as a reaction to poor performance, continuing disclosures of waste, and chronic budget deficits. However, the fact that the federal budget has turned the corner from deficit to surplus does not reduce the importance of effective and efficient government—nor does it reduce the importance of fiscal discipline. After a decade of focusing on deficit reduction, we know there are pent-up demands for using the projected budget surpluses. The challenge for policymakers will be to meet public expectations of government while maintaining the financial discipline necessary to avoid a return to deficits. Again, there is also the obligation for Americans to distinguish between needs, wants and affordability.

The effective implementation of the statutory framework to improve the performance, management, and accountability of the federal government, although important, is not an end in itself. Rather, the implementation of the framework is the means to an end—improved federal performance through enhanced executive branch and congressional decision-making and oversight. Performance improvements occur only when congressional and executive branch decisionmakers use information resulting from these reforms to help inform decisions and improve the performance and accountability of the federal government.

The government's **human capital management** has emerged as the missing link in the statutory and management framework that the Congress and the executive branch have established to provide for a results-oriented federal government.

Federal employees should be viewed not as costs to be cut, but as assets to be valued. Only when the right employees are on board and provided the training, technology, structure, incentives, and accountability to work effectively is organizational success possible. Modern human capital

management principles recognize that employees are a critical asset for success, and that an organization's human capital policies and practices must be designed, implemented, and assessed by the standard of how well they support the organization's mission and goals.

As with the private sector, there have been—and will be—many changes in the demographics of the federal workforce, the education and skills required of its workers, and basic employment structures and work arrangements used to accomplish jobs. The federal workforce is aging: the baby boomers, with their valuable skills and experience, are drawing near to retirement; new employees joining the federal workforce today have different employment options and different career expectations than the generation that preceded them. In response to an increasingly competitive job market, federal agencies will need the tools and flexibility to attract, hire, retain, and reward top-flight talent. More and more, the work that federal agencies do requires a knowledge-based workforce that is sophisticated in new technologies, flexible, and open to continuous learning. Agencies' employment structures and working arrangements will also be changing, and the workplace will need to accommodate greater flexibility and uncertainty.

The implications of the downsizing of federal workforce over the past decade are also significant. From fiscal year 1990 through fiscal year 1999, the number of nonpostal civilian federal employees fell from about 2.3 million to about 1.9 million. Moreover, new permanent hires fell from about 118,000 in fiscal year 1990 to a low of about 48,000 in 1994, before beginning a slow rise to about 71,500 in fiscal year 1998.

In cutting back on hiring of new staff in order to reduce the number of employees, agencies also reduced the influx of new people with the new competencies needed to sustain excellence. Also, our reviews have found, for example, that a lack of adequate strategic and workforce planning during the initial rounds of downsizing by some agencies affected their ability to achieve organizational missions. We intend to do more work on the implications of downsizing and of the government's human capital approach generally. Nevertheless, our view today is that the widespread lack of attention to strategic human capital management may be creating a fundamental weakness in federal management, possibly even putting at risk the federal government's ability to efficiently, economically, and effectively deliver products and service to the taxpayers in the future.

Information Technology, if leveraged properly, can be an effective tool for high-quality, cost-effective government services. Information technology effectively integrated into strategic plans and performance management practices can lead to increased customer satisfaction, government productivity gains, and significant cost reductions—increasingly important attributes to a government with a declining employee base.

Moreover, the government depends heavily on computer systems and networks to implement vital public services supporting national defense, revenue collections, and social benefits. The global expansion of information technology has resulted in significant new information security and privacy threats to our information networks and technology infrastructure.

Such risks are of particular concern at the federal level. Recent audit reports issued by us and by agency inspectors general show that most of the largest federal agencies have significant computer security weaknesses. These weaknesses place critical federal operations, such as national defense, tax collection, law enforcement, air traffic control, and benefit payments, at significant risk of disruption as well as fraud and inappropriate disclosures. In February 1997 and

again in January 1999, our reports to the Congress designated information security as a governmentwide high-risk area.

At the same time, the government does not always effectively plan, procure, and implement major technology investments. For years, federal agencies have struggled with delivering promised system capabilities on time and within budget. IRS spent more than $3 billion in the late 1980s and early 1990s on systems modernization without producing commensurate value. Accordingly, our work over the last decade has focused on strengthening federal agency management of IT investment. We continue to ask whether agencies are spending their technology dollars on the right things (i.e., investments that return business value in excess of costs) and whether they are investing in technology the right way (i.e., employing management and engineering practices that are disciplined and effective). In particular, we developed guidance,[1], based on best practices in the public and private sectors. We have also made hundreds of recommendations to improve management of large-scale IT investments in many major departments and agencies.

MAXIMIZE THE VALUE OF GAO BY BEING A MODEL ORGANZATION FOR THE FEDERAL GOVERNMENT

Besides supporting the Congress directly through helping the legislature respond to emerging issues and government challenges, GAO also supports the Congress by maximizing its own value and seeking to be a model agency in the federal government. To successfully carry out its responsibilities to the Congress and the American people, GAO first and foremost must be perceived as credible and must lead by example. In conjunction with the agency's mission and core values, GAO must, among other things, be professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced in all of its audit, investigation, and evaluation work. The internal focus of the fourth goal provides a framework for enhancing GAO's effectiveness and helping to improve performance and accountability throughout the agency.

To ensure its ability to support the Congress in its decision-making, GAO will focus significant resources on the following important strategic objectives:

- implementing a model strategic and annual planning and reporting process,
- aligning human capital policies and practices to support the agency's mission,
- cultivating and fostering effective congressional and agency relations,
- developing efficient and responsive business processes, and
- building an integrated and reliable information technology infrastructure.

As mentioned throughout this testimony, GAO is utilizing its strategic plan to help the Congress, the executive branch, and itself confront the many current and emerging complex issues facing the American people. The plan provides an opportunity to constructively manage a difficult process of change and uncertainty regarding critical national and international issues, now and in the future.

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[1]*Assessing Risks and Returns: A Guide for Evaluating Agencies' IT Investment Decision-making* (GAO/AIMD-10.1.13, February 1997).

GAO is also utilizing the strategic plan to manage our own transition. The plan not only represents a road map of how GAO will support the Congress in handling issues faced by the country, but it also charts the approach we will use to guide our efforts to strengthen that support and to ensure that GAO has the capacity to serve the Congress effectively in the 21st century. Likewise, to accomplish the objectives for GAO's internal improvements will take the dedication and persistence of all of our talented employees.

As you know, Mr. Chairman, I am personally committed to the successful implementation of GPRA. I have seen in my public and private sector careers how GPRA's purposes of improved performance and accountability can be achieved through the disciplined application of the goal-setting, planning, performance measurement, and reporting requirements of the act. That's why GAO's strategic plan and associated annual performance plan are consistent with the requirements and best practices of GPRA. We seek, through our strategic and annual planning process, to "lead by example" by being a model for implementation of GPRA. We are not required to comply with GPRA, but we believe that its requirements make good business sense.

As another example of our decision to voluntarily comply with congressionally created management reforms and to "lead by example," GAO issued in March its first-ever accountability report. This report discussed how GAO's work benefited the Congress and the American people. The *Accountability Report* is different from GAO's previous years' annual reports. It reviewed GAO's accomplishments in meeting its mission consistent with applicable professional standards and our core values of accountability, integrity, and reliability. The report also included our financial statements and an unqualified opinion from the agency's independent auditor.

Realignment. In order to better support the Congress and maximize the value of our strategic plan, in April I announced a realignment of GAO. This realignment, the first in more than 15 years, will be implemented beginning in October 2000, although the planning and transition activities have already begun. As I've discussed in my testimony, the increasing complexity of issues and the accelerating change in government—major factors in GAO's strategic plan—helped us realize that this realignment was necessary to better position GAO for serving the future needs of the Congress. Our goal is to better serve our client by making GAO more responsive, more flexible – and more focused on our client. GAO must become more capable of handling multiple responsibilities in a rapidly changing environment—all while adhering to our core values and applicable professional standards. We recognize that the government of tomorrow must be leaner, that it must eliminate bureaucracy and multiple management layers, that agencies must respect future fiscal and budgetary realities, and that they must be performance-driven and results-oriented organizations. GAO's realignment is part of our effort to lead the federal government by example—we are certain that this realignment will eliminate management layers, reduce silos, and improve coordination, productivity, and team-building throughout the organization.

The realignment will ensure a continued ability to provide timely, quality work; will build on efforts to provide broad oversight support; will enhance client communications and feedback; and will maintain a high-level of return on investment. The realignment also gives us a great opportunity to comprehensively focus on how to make our processes work better to serve our staff and our clients, and how we can broaden and retool our products to make them as useful as possible to the Congress in the years ahead. Moreover, the realignment will help us to enhance

our long-term capacity by improving recruitment and retention; building a succession plan; focusing on emerging issues; and leveraging technology opportunities for improvements to clients, processes, and employees.

The realignment reduces the number of issue areas from 31 to 11[2]. It eliminates the traditional GAO divisions and strengthens team-based matrix management. We are creating a risk-based management approach that will reduce the number and sequential nature of our product reviews. We will increase empowerment and accountability at the senior executive level. We also will leverage new teams to focus on external issues important to our many stakeholders, and on methodological issues, and strategic studies. And we will create employee pools of generalists to increase our flexibility and enhance development.

At the same time, we have taken a number of other important steps to improve GAO to better serve the Congress. We've created a more effective Engagement Acceptance and Review Meeting process to help senior management direct and oversee work assignments. We've developed an employee feedback system and facilitated an active employee suggestion program that has achieved bottom-line benefits, and we have established a Comptroller General Employee Advisory Council, with which I will meet every quarter to discuss current and emerging issues of mutual interest and concern. And, as I mentioned earlier, we are continuing to consolidate and reduce our field offices to streamline our operations, reduce silos, and improve productivity. Earlier this year, I announced that we would be reducing our field offices from 16 to 11 effective November 2000.

Human Capital. As part of the realignment efforts, GAO needs to invest more heavily in its people. Targeted investments need to be made in our training, performance rewards and incentives, and performance appraisal systems. We have begun efforts to strengthen and redesign our performance appraisal system to better assess employee strengths and weaknesses, identify training needs, reward and recognize exceptional performance, and improve performance at all levels. We have a goal of implementing a new performance appraisal system for our evaluators beginning in fiscal year 2001, but no later than fiscal year 2002.

Efforts also are underway to develop a skills and knowledge inventory system that will be used to identify skill gaps and training and succession planning needs, both at an institutional and individual level, and to staff assignments more effectively. We will continue to correct skill gaps and increase staff productivity and effectiveness through training. To maximize this investment, we are reviewing and updating our training curriculum to address the organizational, behavioral, and technical needs of our staff.

GAO's overall human capital situation also is of growing concern. GAO faces many of the same difficult personnel issues the executive branch is now confronting. Our current human capital profile has succession planning, structural, and skills imbalance problems that we need to

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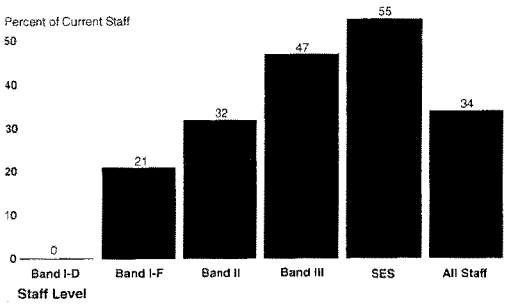
[2] GAO's 11 teams will be Acquisition and Sourcing Management; Education Workforce and Income Security; Finance and Assurance; Financial Markets and Community Investments; Health Care; Information Technology; International Affairs and Trade; Military Strategy and Readiness; Natural Resources and Environment; Physical Infrastructure; and Tax Administration and Justice.

address if we are to maintain and build our capacity to support the Congress and achieve the goals of our strategic plan in the 21st century. For example, nearly 34 percent of our evaluator and related staff will be eligible to retire by the end of fiscal year 2004. In addition, about 55 percent of our senior executives and 48 percent of our management evaluators will become eligible to retire by that time. Other critical positions, such as attorneys, criminal investigators, and mission support, are also vulnerable.

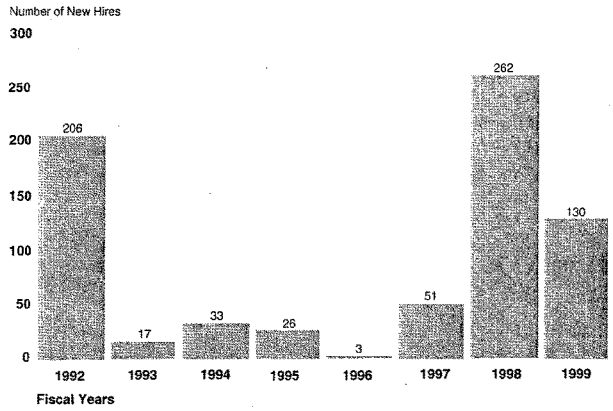
Figure 17: Current Evaluator and Related Staff Retirement Eligible by End of FY 2004



Note: Current staff onboard at end of fiscal year 1999.

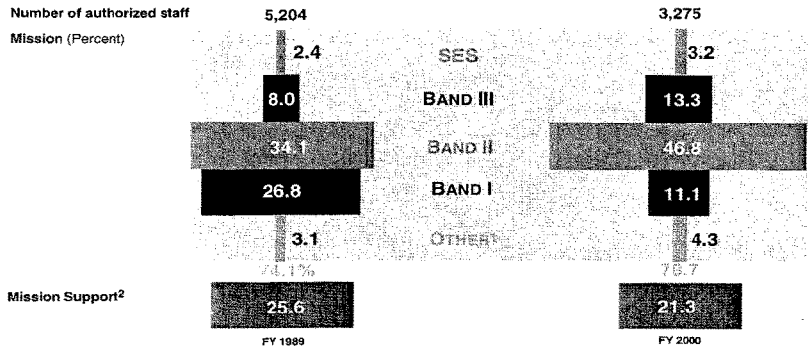
Another human capital issue is more structural in terms of staffing. As illustrated in the following graphics, we are sparse at the entry –level—a result of the 5-year hiring freeze we began in 1992—and rather bulky in the middle. We have been more fortunate than many agencies, in that our attrition rate is extremely low. We believe this low rate reflects the quality and dedication of our employees as well as the strength of our recent human capital management improvements. Cultural transitions of major organizations are never easy to accomplish, and I would certainly not claim that it will be easy for GAO. Still, through a combination of employee communications and outreach efforts, most of our staff recognize that change is not only good for GAO at this time, it is imperative for the future.

Figure 18: GAO's New Hires



GAO's significant human capital imbalances and risks stem from dramatic budgetary cuts, downsizing, hiring freezes, and other related actions from 1992 through1997. Over that period, GAO underwent budgetary cuts totaling 33 percent in constant fiscal year 1992 dollars. In order to achieve these budgetary reductions, GAO staff was reduced by 39 percent. These actions have had a considerable impact on GAO's human capital structure. Figure 19 shows GAO's human capital profile as of fiscal years 1989 and 2000.

Figure 19: GAO's Human Capital Profile



GAO has turned to contracted resources to achieve its mission and mission-support requirements. Contract funding in inflation adjusted dollars has increased from $13.1 million in 1981 to $29.2 million in 1999.

Clearly, GAO needs assistance to meet its looming human capital challenges. The agency has made considerable progress in confronting its problems, but more needs to be done. In order to effect the realignment, strengthen our human capital profile, and position GAO to fulfill its strategic plan and support the future needs of the Congress, GAO has requested legislation from the Congress to

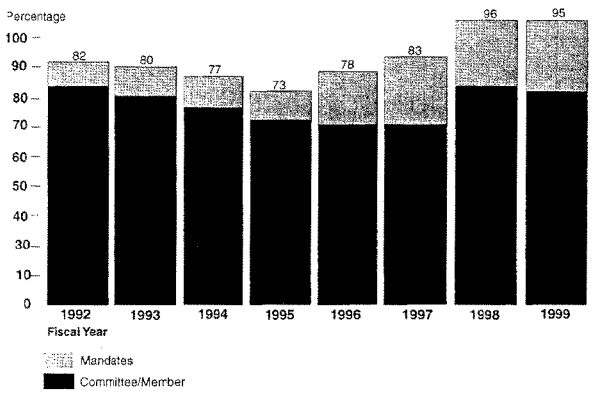
- give GAO the flexibility to appoint scientific, technical, or professional staff to senior-level positions with the same pay, rights, and other attributes as members of the Senior Executive Service;
- authorize voluntary early retirement for selected individual employees for the purpose of realigning the agency's workforce;
- authorize separation payments for realignment purposes; and
- authorize the Comptroller General to release officers and employees in RIFs which are carried out for purposes of downsizing, realignment or correcting skills imbalances.

This legislation would be a supplement to administrative actions that we have taken and will be taking in the near future, and it is based on a sound business case focused on enabling us to better support Congress in the future. The legislation would be used to realign GAO, not to downsize it, and would only be for GAO – the legislation would have no effect on the executive branch agencies. It also would provide relief from applying certain reduction-in-force (RIF) provisions that could result in an even more unbalanced workforce than exists today and a consequent detrimental impact on our ability to serve the Congress. RIFs would be used only as a last resort. I want to stress that our proposal would maintain the statutory preference for veterans and that we have no intention of de-emphasizing our attempts to attain and maintain a high-quality and diverse workforce. Also, to provide us greater ability to attract and retain technical talent, the legislation would provide authority comparable to that of the executive branch to compensate

selected scientific and technical staff at senior-executive pay levels. We would use such authority, if granted, sparingly to address specific targeted needs, such as information technology specialists and actuaries.

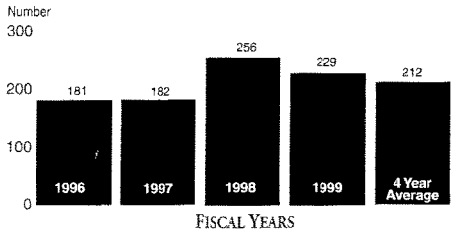
Client Focus. The Congress continues to turn to GAO for assistance on significant issues facing the nation—in fact, we face record demands for our services. As illustrated in the following graphic, congressional requests and mandates for GAO services have increased in recent years. From a long-term historical viewpoint, requests for GAO's services have never been higher, and we anticipate that this historic growth will continue as the Congress grapples with increasingly complex and contentious issues requiring greater contextual sophistication. GAO, perhaps more than any other organization, is positioned through its broad-based skills, knowledge, and expertise to support the Congress in meeting responsibilities that will only become more difficult as the 21st century evolves. Figure 20 shows congressional requests as a percentage of GAO's work from fiscal year 1992 through fiscal year 1999.

Figure 20: Work Conducted for the Congress, Fiscal Years 1992 - 1999



During fiscal year 1999, we were called upon to testify 229 times before 93 congressional committees or subcommittees as shown in Figure 21 below. Examples of important testimonies that helped the Congress in its oversight include our performance accountability and high-risk series, which depict the government's major management challenges and program risks; Social Security reform proposals; financial and operational aspects of the International Monetary Fund; DOD's anthrax vaccination program, and Medicare reform.

Figure 21: Testimonies



GAO has recently strengthened its client outreach program to assist both GAO and the Congress in understanding how best to meet congressional needs. We plan to meet regularly with the Senate and House leadership, all Committee Chairs and Ranking Minority Members, and members of our appropriations and oversight committees to obtain feedback on our performance and to help guide work plans in the context of the strategic plan. Our realignment is a critical component in improving our communications and outreach with the Congress and ensuring that we continue to maintain and foster ways to help the Congress meet its responsibilities.

GAO has expanded its electronic link to Congress, and we are now providing a list of active assignments. We plan to provide other products and information through this link in the future. Through consultation with key congressional leaders, members, and staff, we also have developed a set of clearly defined, well documented, and transparent protocols, intended to be consistently applied in setting priorities, allocating resources, recognizing existing commitments, and serving the Congress. These protocols will help GAO to better serve the Congress and improve customer satisfaction, to close "expectation gaps" between the Congress and GAO wherever they exist, to ensure equitable treatment of all requesters consistent with the protocols, and to maintain and strengthen GAO's performance and accountability. We began implementing these protocols in January of this year and will test them until August 2000. We will finalize them by October 2000.

GAO is also interested in fostering constructive engagement with executive branch stakeholders and enhancing the partnership between the Congress and GAO by strengthening oversight in order to improve the performance and accountability of government. For instance, it is important to work closely with agencies—while maintaining our independence—and to utilize our skills, knowledge, and experience in working cooperatively to improve government operations. For example, we have successfully worked with a variety of agencies on Y2K and with IRS to face management problems and improve government operations. I am convinced there are additional opportunities for developing constructive engagements while maintaining the integrity of our principal mission as an accountability organization.

Moreover, the pervasive changes confronting the Congress and the nation present an opportunity for the Congress to reconsider the approach it takes to oversight responsibilities. Persistent attention, new models of performance, and different oversight structures and processes may be necessary to achieve this objective.

GAO is uniquely positioned to help the Congress examine what government does and how government does business—by attacking known areas of fraud, waste, abuse, and mismanagement; reassessing how government provides services; improving the performance and accountability of government agencies; and preparing for the government's long-term challenges. GAO can provide support to the Congress for holding oversight hearings on major agencies and programs on an annual basis. Based on its insight and knowledge of government accountability, GAO can provide effectively packaged information about agencies and programs from a variety of audit and program sources to support the oversight work of congressional committees, including the information resulting from the management reforms in the 1990s. GAO resources can also be leveraged through the strategic plan, support of task forces and other congressional oversight approaches, increased communication with committees, and the selective use of detailees.

Information Technology. GAO also seeks to lead the government in the strategic management and security of effective technology utilization. Over the years, we have made important strides in—and realized efficiencies by—introducing technology into the organization. Most recently, we have successfully managed the Y2K transition. However, we need to maintain and enhance our ability to take greater advantage of modern technology and achieve an integrated infrastructure that supports our client service, strategic planning, human capital, and business process goals and objectives. To this end we are:

- developing a long-term comprehensive plan for an integrated information technology approach;
- developing and implementing a short-term, cost-effective approach to quickly begin to satisfy GAO's information needs;
- establishing performance and cost metrics addressing the quality and value of information technology services;
- ensuring the availability of required information technology skills,
- replacing obsolete hardware and software agency-wide to help ensure the efficiency and effectiveness in our operations and enhance our productivity, and
- stabilizing and improving the responsiveness of our network.

It is clear that additional investments will be necessary in the coming years to increase our enabling technology and knowledge management efforts to meet the challenges of the future and effectively support Congress.

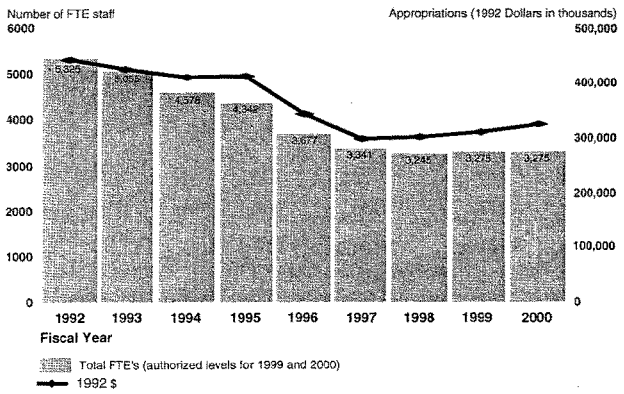
GAO Initiatives and Challenges

Mr. Chairman, for GAO to continue maintaining the strength of its mission, we are committed to find new ways to streamline our operations while building on our responsiveness and flexibility. I am convinced that the Strategic Plan we have articulated with the support of the Congress will provide a strong framework for improving government and meeting the nation's challenges in the years ahead.

For GAO to achieve its mission and effectively support Congress in the future, it will be important for us to have the support of the Congress. As I have mentioned, demand for our work is essentially at an all time high, especially with regard to mandates and requests from Congress. This change in the composition of our work has left GAO less flexibility to pursue R&D work – a component of our services to Congress that we believe is vital to ensuring that we can help Congress recognize important and emerging issues before they reach a crisis stage. Clearly, that was the case with our work in the Y2K area and I have no doubt that there are similar issues out there that we must be sure to identify and examine before they become major problems. But this becomes harder and harder for GAO to do as the demands for our work increase – requests and mandates already represent 95 percent of our total workload.

It is also extremely important that we maintain and strengthen our capacity to effectively serve the Congress and meet the growing demand level in the future. This will require a more stable budgetary and personnel environment than has been the case historically. Figure 22 clearly reflects a resource environment that has changed dramatically in the last decade:

Figure 22: GAO Appropriations and Full-Time Equivalent Staff Levels



In an era of shrinking government capacity but expanding demands, vigorous congressional oversight and growing requests requires a strong GAO. It will certainly require a more stable GAO, in which budget and personnel levels remain consistent from year to year and reflect a work plan built from the strategic plan. A stable funding level not only supports GAO's strong return on investment of $57 for every $1 spent, it creates the environment necessary to recruit, retain, compensate, train and motivate a strong and capable workforce. It is increasingly clear that the continued decline in the staff levels of the Congress will also necessitate that GAO retain sufficient resources to ensure effective partnering with the Congress as well as an institutional memory about government programs and operations.

Without the broad-based assistance and experience of GAO to support the Congress, the Congress would clearly lose opportunities for obtaining an array of options, undertaking informed decision-making, and fully pursuing oversight—all important elements of the Congress' constitutional responsibilities. Without stable funding and personnel levels, it will be extremely difficult for GAO engage in the types of partnering so critical to the future oversight work needed to strengthen government's performance and accountability. GAO would also have difficulty in taking on some of the expanded roles that Congress has asked of the agency in recent years, such as assisting on task forces and commissions without any commensurate adjustment for resources. As I've discussed in this testimony, without some immediate stability, GAO faces many of the same problems as other federal agencies in being able to effectively deliver services now and in the future. Right now, considerable differences still exist with respect to our appropriations levels in the House and the Senate – stable funding for GAO next year is still not assured.

GAO needs funding to support the realignment so critical to our growing mission. GAO has requested funding to improve compensation comparability with the executive branch, strengthen performance reward and recognition programs, reengineer our performance appraisal system, and increase our staff productivity through training and development as well as new information technology resources.

At the same time, flexibility may be just as important as resources. The human capital legislation is one example. Another example is the mandates issue. Its is becoming difficult to do R&D work, like Y2K, as I mentioned earlier. Without GAO's ability to pursue research and development issues, many other consequential issues could go unrecognized and ultimately create fundamental and serious problems for the Congress and the American people. We must have a reasonable amount of flexibility to address emerging challenges before they reach crisis proportions. Thus, I would urge the Congress to not lose sight of the important balance between mandates, requests, and research and development in the mix of GAO's work supporting the Congress.

In addition to the legislative support I've already discussed, GAO will be assessing whether it may need additional authority from the Congress to obtain certain types of records for conducting our work. As the budgets, functions, and points of service of many government programs devolve to state and local government, private entities and non-profit organizations, and other third parties, it may become harder for GAO to obtain the records it needs to complete audits and evaluations. For GAO to effectively do its job and obtain all the facts, we must have unfettered access to records no matter where the federal dollar goes and services are delivered.

As I've stressed, we are making major changes in how GAO will face the future, both to support Congress and to lead the government in strategic planning, human capital management, information technology, and other areas. That is why GAO's human capital legislation is so important. The legislation is absolutely critical to an evolving GAO that is realigning toward a 21st century Strategic Plan and more modern human capital approaches to meet its mission.

Moreover, it will important for Congress to consider issues that will help GAO to recruit, retain and motivate an effective workforce. Clearly, it is important for GAO to continue to attract

bright, able staff, which is increasingly difficult given the excellent economy and private sector competition. For GAO – and for most of the federal government -- to compete with the private sector, we must be able to have a more flexible compensation system that can bring people into government employment at attractive pay levels. This makes it incumbent on the government to create incentives to recruit new employees and retain older employees. Congress should consider establishing incentives such as debt relief for school loans for new hires, an ability for staff that is eligible to retire to retreat slowly into retirement through part time work, while obtaining a portion of their pension, and a provision that allows federal employees – like private sector employees – to keep frequent flier miles. Many commercial firms, in recognition of the physical impact and disruption of family life that results from frequent travel, allow their employees to keep frequent flyer awards. The federal government has always considered frequent flyer awards to be property of the government, and sought to reduce travel costs by requiring their use only for official travel. Six years ago the Congress enacted this requirement into law, and required the General Services Administration to promote the use of frequent flyer programs. It is time to examine whether the financial benefits of trying to make use of frequent flyer benefits would be outweighed by the recruiting and retention benefits of allowing personal use of those benefits.

Finally, one area I believe the Congress needs to begin thinking about is the process for appointment of the Deputy Comptroller General. The current process was established in 1982. The governing statute provides that a committee consisting of the Comptroller General, the Speaker of the House and President Pro Tempore of the Senate, the Majority and Minority leaders, and the Chairmen and Ranking Minority Members of the Senate Governmental Affairs and House Government Reform Committees recommend an individual to the President for appointment. This process has never worked and it is too complicated. There has been no Deputy Comptroller General since Bob Keller passed away over two decades ago. There are a number of possible alternatives to the current process that would avoid conflicts between the Congress and the administration. For example, I could appoint a deputy with the approval of at least three members of a panel consisting of the Chairmen and Ranking Minority Members of our oversight committees. The Director of the Congressional Budget Office appoints his deputy, whose term is tied to the Director's just as the Deputy Comptroller General's term is tied to the Comptroller General's. Let me also note that Gene L. Dodaro, GAO's Chief Operating Officer, would make a terrific Deputy Comptroller General.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or the other Subcommittee members have.

Mr. HORN. We are now going to have a dialog between we members and you, and it will be 5 minutes between each of us.

Let me ask you about the institutional memory situation. I think that is a very crucial matter.

What is your intent as to try and get that type of wisdom that people have over time? Is it to have opportunities for a half load and half retirement or fourth load, fourth retirement? Some institutions do that.

Are we doing oral histories of a lot of people when they retire? It seems to me that is a—for historians such as White in the 1930's, looking at the administrations from George Washington up, it seems to me that would be a very useful file for GAO, the archives, the Library of Congress, whatever, to have them in the days of disks that you can find any particular thing on a disk. That might be one possibility. I just would be wondering, what are you thinking of?

Mr. WALKER. We are doing a number of things.

First, we have embarked on an aggressive succession planning effort to try to ascertain how many of our people plan to retire and when. I mentioned that 55 percent of our executives are eligible to retire within 4 years. We have met with each of those executives and covered a number of issues. Fortunately, many of those individuals want to work past retirement eligibility, and that is great. We need to do the same thing at other levels, and we need to tap and understand what skills and knowledge that we have.

We just rolled out an electronic skills and knowledge form that every GAO employee will fill out. Therefore, we will have electronically what skills and knowledge we have within our building and how we can better deploy those skills and knowledge and capitalize on it. We need to look at mentoring by capturing this institutional knowledge and passing it on to others.

In addition, we need to look at what I mentioned about changing the pension laws, about retreating into retirement. We can allow people to work part-time right now, and we do, and we can experiment with certain policies, but there are real economic barriers and disincentives under current law that need to be addressed. They are being addressed in the private sector. In fact, there is legislation pending in Congress now to change the private pension rules. The prospects look good to allow in-service distributions for people that work part time after a certain age. We need to do the same thing in the public sector.

So these are just a few of the things that I think we can and should do, and we will do whatever it takes.

Mr. HORN. What about the idea of research and development? I would be curious in 1966 what do we mean by that and what do we need now between the two predecessors and Mr. Staats. It went from 90 percent research and development in 1981 to 65 percent and now 5 percent. How is that defined?

Mr. WALKER. Let me clarify how we define it. You may want to ask Comptroller Generals Staats and Bowsher how they define it.

The previous term was self-initiated work. That doesn't engender a positive response on behalf of a number of parties; and, therefore, we recharacterized it as R&D work. Basically, what that says is when Mr. Staats came in as Comptroller General, 90 percent of the

work that GAO did was at its own initiative. It determined what functions needed to be looked at and provided to the Congress.

That, over the years, has changed dramatically. There are more and more mandates. Sometimes we are consulted on a mandate; sometimes we are not. Sometimes we get the resources we need, and sometimes we don't. Sometimes there are independent issues that don't get adequately considered. What has happened in part is because of increasing congressional requests, which is good. We are a client service organization. On the other hand, the combination of increased requests and the downsizing of the agency has meant that what gives is the self-initiated work or the R&D work. That is what is left over, and some of that can be critically important. Because, quite frankly, many of the challenges that our Nation faces are not immediate. They are challenges at the horizon and beyond because of changing demographics, because of environmental issues and other things that we need to be looking at before they become a crisis.

Mr. HORN. In my last 19 seconds here I am going to ask you, on the mandates, were those saved from the appropriators? And that was an annual report that you needed to do time and again. Does anybody ever ask if they read it or need it? Some of these things are stuck automatically in appropriations bills.

Mr. WALKER. I am going to ask Gene Dodaro to comment. Because, as our Chief Operating Officer, he is into the details on some of these things.

Mr. DODARO. We look every week at potential mandates that are coming to the forefront in legislation, both in appropriations and in the authorizing process. They come in both forms.

Within the last 2 years, we went back and looked at all of the preexisting mandates to see if they were still relevant, and consulted with the committees; and, in fact, indeed a lot of them were sunsetted. Very few of them are dated, although some date back, for example, to the 1994 requirement to audit the financial statements of the Federal Government. But we are trying to work early with committees on potential mandates. Most of them fall in areas where we think there are legitimate issues and which correspond to items that are actually in our strategic plan. Others are event driven, like the Los Alamos fires.

Mr. HORN. I thank you.

Mr. Turner, 5 minutes for questioning the Comptroller General.

Mr. TURNER. It is amazing, General Walker, to notice the increase in the number or the percentage of requests from Members and from committees. Quantify that for me. How many requests do you get a year from committee chairs? How many requests do you get from rank-and-file Members?

Mr. WALKER. In a given week, we typically get 40 to 50 requests a week. Most of our requests are either from the chairman or the ranking member of a committee or subcommittee. They receive a priority with regard to resource allocation.

The next priority would be Members that are on a relevant committee of jurisdiction, and the last priority would be Members who are not on a relevant committee of jurisdiction.

I think unless something gives we are going to have to relook at whether or not we are going to be able to deal with individual

Members' requests. The statute only requires us to deal with mandates and committee requests. We have tried to deal with individual Members' requests as we have the resources and will continue to, but the squeeze continues.

Mr. TURNER. When you get a request just from a Member—I am sure you get all kinds of requests—do you try to work with that Member to narrow that request or make it where it is something that you can have a little more management control over?

Mr. WALKER. We have instituted a new process where we have an engagement acceptance meeting, and I will ask Gene if he wants to elaborate because he chairs it every week. We look at every request—what is it? What are they asking us to do? Is it within our scope and competency? What kinds of resources and skills will it take? How much risk is associated with the assignment, complexity, degree of difficulty, political contentiousness, if you will; and in some situations they will ask us to do things that we don't think are appropriate. In some cases, they will ask us where the scope is too broad; and we will work to narrow that scope.

Yes, we have an ongoing and interactive exchange with both committees and Members in conjunction with requests.

Mr. DODARO. What we try to do, along the lines that Dave is talking about, is that, for many requests that we get from individual Members we may already be doing that scope of work for a committee. So we try to marry up the requests from the Member with the committee. And in some cases they just want some help answering a request from a constituent. We will look into the matter quickly.

Also, it might be something that is within the scope of the responsibilities of the Inspector General, say, for example, looking at a particular contract award at DOD. Our goal is to try to help answer a request from every Member in some way, manner, shape or form, even if we can't undertake the assignment ourselves. But we actively manage that process and get back to everybody quickly to try to get a good outcome and try to get the information that people need.

Mr. TURNER. I was looking at page 13, human capital profile; and it might help if you would explain these bands that are listed here, what category of employee is represented there. I assume the very top category is the executive staff. Where are the researchers?

Mr. WALKER. This represents pay bands. We went to broad banding, which is a compensation structure, in the 1990's under Comptroller General Bowsher's tenure. Band 3 represents a GS–15. It is either management personnel or very senior specialist. A band 2 represents 14, 13, 12 level. And a band 1 is below that in a professional category. The other would represent the General Counsel's Office or Office of Special Investigations. And then the mission support would be just that. It would be individuals who contribute to our mission but aren't in a line function. They are more in a staff function.

Mr. DODARO. Just to give you a benchmark, for example, at the SES, a senior executive would be someone like a Joel Willemssen; and he leads a whole body of work. And then the researchers at the band 2 and band 3 level and band 1 actually conduct the audits

and the investigations. So the people who really do the work and go out and interview people and go through the files and records are at the 2 and 1 level. And the band 3s are issue area experts. We will have an expert in housing, transportation, etc. So we try to maintain expertise at the senior level; and the researchers, auditors, and investigators are at the band 2 and band 1 level. That is why band 1 is so important, because that is where we begin to develop good institutional knowledge in the long run. We are trying to do a lot of things to retain senior executives, to hang on to institutional memory, but there is no substitute for having a good pipeline of people coming through the organization that are going to be here beyond Dave's tenure and mine.

Mr. TURNER. So the chart is designed to show that you would prefer to have a profile that looks like the 1989 profile as opposed to what you have today?

Mr. WALKER. I think the actual profile is between 1989 and 1999, but closer to 1989 than 1999; and we need to do that over time. We are taking management action, but we need to continue to hire and recruit, we need to do succession planning, and we also need the human capital legislation.

Mr. TURNER. Thank you. Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman. And now 5 minutes for my colleague from California, Mr. Ose.

Mr. OSE. Thank you, Mr. Chairman.

My question really boils down to one that I have asked previously and that is, at least from my experience, there are just two irreplaceable assets I have access to, one is GAO and the other is CRS. Great resources. In both cases, I am concerned about retaining personnel who have been trained, level 1, level 2, what have you. Tell us about the challenges you face there as it relates to retention of people who have started——

Mr. WALKER. Well, we face serious challenges. One of the ways that we face a serious challenge is because we don't have stability in our budget. Every year there is debate about what we are going to get for a budget and whether or not we are going to get inflation. That creates instability and uncertainty on behalf of our current people regarding RIFs.

Mr. OSE. Let me take you a slightly different direction. In terms of the people who work at GAO, obviously they have options from an employment standpoint. Your options might be Arthur Andersen, it might be some consulting firm, what have you. What kind of competitive environment are you having to confront in terms of retaining those people?

Mr. WALKER. An increasingly competitive environment with regard to new hires. For example, many of the major public policy schools—the Kennedy School at Harvard, the Maxwell School at Syracuse, Berkeley, etc.—a significant percentage of their graduates who they thought were going to go into public service end up going into the private sector, and that is an increasing challenge. I think we have to recognize that the government will never be competitive from the standpoint of compensation. Stated differently, you are always going to be able to make more money in the private sector if that is what you want to do.

However, the government does offer some things that the private sector can't offer as much of—the challenge, the diversity, the ability to make a difference for the country. Therefore, what we have to do is identify top-flight people who are motivated toward those types of things and to make sure that we have the tools available to attract them and to retain them. It is also critically important that we get resource stability because when we go out to hire a new person, if they know that they are the first person that is going to get let go, that is a real disincentive for them to come with us.

Mr. OSE. Do you see a difference—obviously, you are the legislative branch people, but do you see a difference in terms of our ability to retain people on the legislative side as opposed to the executive side?

Mr. WALKER. I think the GAO has a greater ability to retain people; and, in fact, statistics show that. We have very low turnover. After 3 years, our turnover is about 4 percent a year, and that also counts retirements. But for the newer people, the first 3 years, the turnover is much higher. It is double digit—around 15 to 18 percent a year. The new generation, the graduates of today, are more mobile than they have been in the past. We have to recognize that and do what we can to minimize turnover, but we are going to have more turnover. I have a 26-year-old and a 23-year-old, and I can assure you that there is going to be more mobility among their age group.

One of the things that GAO has to offer is that you can have lifelong learning at GAO. We deal with everything that the Federal Government does anywhere in the world and so you can move into different areas, different specialties, different issues, different geographic areas without having to change employers and still be challenged. That is an advantage that many government agencies don't have.

Mr. DODARO. One of the most critical things for retention, particularly of highly skilled people, is additional training. They really want to keep their skills current, and we are trying to find more money available to provide training to them. And that, coupled with the diversity of the work and the interesting nature, of assignments really is the key to holding people, because they want to be known in the professional communities in which they have studied and do the work.

Mr. OSE. Mr. Chairman, are we going to have a second round?

Mr. HORN. We are.

Mr. OSE. Thank you.

Mr. HORN. Let me ask about the SES staff. I notice on your chart, page 13, it represents roughly 2.8 percent and 3.7 percent of all employees through fiscal year 1989 through fiscal year 2000. I wonder to what degree can SES be rotated within the executive branch and do you have any difficulties in getting them for a year or 2 years or 3 years when you see something coming up that they might have the expertise to do. Have we had any examples like that?

Mr. WALKER. We have not had that happen with great frequency in the past. We have had people come from the executive branch to GAO. In particular, when we had our first SES candidate devel-

opment class, we had a number of applicants from the executive branch apply because they view GAO as a very good place to work.

One of the things that we need to look at with increasing frequency is, not only with regard to the government but also the private sector, the opportunity to do rotations and fellowships and that type of activity. Obviously, we are going to have to be careful, because there are potential conflict issues which we need to carefully monitor in that regard. We need to look at that more.

Mr. HORN. Also, on the education aspects, the military does a wonderful job in this town of keeping their people moving and letting them go off for masters degrees or doctorates. Are you thinking of doing that essentially at GAO?

Mr. WALKER. Most of our people already have a masters or doctorate, but I think, because of the competitive pressures in the marketplace, we may end up having to hire more people with a bachelor's degree who may want to obtain a masters. That is something I would like to be able to consider as well as the personal debt relief, etc. Part of the difficulty is not just whether or not we have the authority but whether or not we have the resources to do that.

Mr. HORN. What other things do you think are worthwhile that are not always seen when you recruit somebody? It is a good environment, you meet a lot of interesting people and so forth. Where is the weak spot, if any?

Mr. WALKER. Where is the weak spot? Well, part of the weak spot is that a lot of people that come into government come into government to make a difference, to learn, lifelong learning and for a better quality of life and for better job security. The last two have been significantly eroded in the last 10 years. We are asking our people to do more and more with less and less. In many cases, they are working as many or more hours than the private sector dues—and I was a global partner with Arthur Andersen for 10 years—with much less compensation. The increased uncertainty about what our resources are going to be has a deleterious effect. So I would say those last two factors, work/family and job security considerations that are beyond our control, have declined significantly. Something needs to be done about that.

Mr. HORN. We had, as you know, in the Supreme Court case about 20 years ago a sweeping away of about 200 laws that permitted the Congress to get into the hair of the executive department is I guess putting it bluntly. To what degree do you feel that GAO might well be utilized in some type of arrangement where the Congress, the executive branch, might find that useful? Are there any situations like that that you are thinking about?

Mr. WALKER. In what regard, Mr. Chairman?

Mr. HORN. Advisory board or something like that?

Mr. WALKER. There is an increasing range of activities that the Congress is asking either GAO as an institution or the Comptroller General as a position to get involved with. For example, we have been asked in the past to do—the Comptroller General has been asked to chair a panel on the Cost Accounting Standards Board. There is now pending legislation to ask the Comptroller General to chair a commission on A–76.

In addition, there are requests from time to time to expand our responsibilities to get into regulatory reviews and other types of activities. I think there is a lot of things that we can do. I think the real key is, A, do we have the resources to do it; B, to be able to consider what, if any, independence implications there are before Congress acts so that there are not any surprises in that regard.

Mr. HORN. I thank the gentleman.

We now have the vice chair with us, Mrs. Biggert, the gentlewoman from Illinois; 5 minutes for questioning.

Mrs. BIGGERT. Thank you.

Since the time I have been here I certainly appreciate all that GAO has done; and I think particularly for this committee and walking into something like Y2K and all of the things that we had to deal with in that, we certainly got to know Mr. Willemssen very well; and he did a great job.

Mr. WALKER. Mr. Willemssen won the gold medal last year on congressional hearings, and I had to take the silver because he was so popular last year.

Mrs. BIGGERT. Mr. Walker, when you get something to do for either a Member of Congress or however it comes about, do you have any peer review of your work? When you do the oversight for some many other——

Mr. WALKER. We have internal quality reviews, and we have peer reviews. With regard to all of the work that we have, we are moving toward what I would call a second partner review where we will have at least one other SES person involved as a second set of eyes to take a look at the work. We have extensive quality assurance mechanisms with regard to all of our work. In addition, in connection with certain types of engagements where they are highly technical and complex and where we may not have adequate expertise internally, we have and will continue from time to time to have expert panels, groups of people from the outside who are expert. It has to be balanced, and we have to be concerned with any potential conflicts.

We also have a formal peer review in financial auditing. KPMG Peat Marwick does that, and we are also looking at working with other colleagues, other auditor generals around the world to do peer review of our evaluation work. I have met with a number of my colleagues within the last 6 months, and we are going to try to do a peer review of each other's institutions.

Mrs. BIGGERT. Where do the outside experts come from, the private sector or other agencies?

Mr. WALKER. It could be a combination. It could be the not-for-profit sector, it could be the private sector, or other agencies. When we do that, we need to be careful that we know about whether or not there are any potential conflicts, that we have balance from the standpoint of the issue. But sometimes, as you can imagine when you are dealing with experts, just like when you are dealing with advisory councils, sometimes you will get people who are integrally involved with an industry and get comfortable with the conflicts and disclose them.

Mrs. BIGGERT. Do you tend to go back to the same people when you establish a relationship with the expert?

Mr. WALKER. This is one of the things that we are looking at right now, and one of the things that I have been pursuing since I became Comptroller General. In the past, each unit did what they were comfortable with, and one of the things that we are doing is looking at these issues. What type of criteria are we using as to when we use expert panels? What type of procedures do we have in place in order to ensure balance and be aware of any potential conflicts? Undoubtedly, in the past, there have been situations where individual units might get comfortable with certain persons, but we are going to start looking at this on an agency-wide basis because I think we need to look at GAO as a whole rather than individual units.

Mrs. BIGGERT. Do you have to pay a consulting fee to these experts?

Mr. WALKER. It varies. Some do it for their country. The consulting fee, as you know, is not very high. When I was a trustee of Social Security and Medicare, I got paid $300 a day which I gave to my firm. Some are pro bono, and some we will pay up to around $300 a day.

Mrs. BIGGERT. Would there be an impact then of the proposed 25 percent reduction in appropriations? Would this make any change in that?

Mr. WALKER. Right now the only thing that is on the table is the Senate has us for a 2.5 percent increase, the House has us for a 2 percent cut. We are hopeful that we are going to get the Senate number, for obvious reasons. We had a significant cut—the 5 percent you are talking about was a 25 percent cut that occurred in the 1990's. Obviously, with dramatic reductions in resources like that, not only do you have RIFs but you have less ability for contracting.

Mrs. BIGGERT. What was the impact of that?

Mr. WALKER. It was drastic. It was a tremendous loss of institutional knowledge. It was putting us in a position where we can get our job done today, but we are at risk of not being able to get it done in the future. And cutting back on training and enabling technology, things that you will pay a price for in the future if you don't reverse it.

Mrs. BIGGERT. Thank you.

Mr. HORN. Mr. Ose, the Member from California, for pursuing the questioning.

Mr. OSE. Thank you, Mr. Chairman.

I want to go back to the issue on the retention of people as it relates to your proposals. Have you had any reaction from the executive branch or elsewhere on the hill?

Mr. WALKER. With regard to our legislative proposal?

Mr. OSE. Yes.

Mr. WALKER. First, OPM is not taking a position on our legislation because we are a legislative branch agency, there is a separation of powers, plus we are not proposing any changes in the Civil Service rules.

Mr. OSE. OPM did not take a position on their proposal because they are a legislative branch. Mr. Chairman, I wonder if we can get them to not take a position on anything you and I put up because we are legislative, too.

Mr. WALKER. An innovative thought. But they see us as the legislative branch. We are not proposing to change the Civil Service rules, etc.

With regard to the Hill, the situation is as follows: We have strong bipartisan and bicameral support. We have support from the Government Reform Committee, the chair and ranking member. We have support from the Governmental Affairs Committee, the chair and ranking member. We have support, strong bipartisan support, in the Senate Appropriations Committees, because the bill is on the Senate bill that passed. And we have support in the House as well, and we are very hopeful that it will be enacted soon.

We do have some concerns that have been expressed by certain members of the local delegation. That is understandable. They have many Federal Government employees as their constituents. Some of their concern is because of misperceptions. At first, they thought we were talking about changing the Civil Service rules. We are not. There is some question about veterans preference. We are maintaining that. So we are hopeful that we will be able to get everybody on board, but we critically need this legislation.

Mr. OSE. If I understand correctly—and I want to examine a couple of these employees' protections. Could you just go through some of the protections that are built into your proposal that would help the employees or satisfy the employees?

Mr. WALKER. I appreciate you asking that question. I think it is critically important that management have reasonable flexibility, but you also have to have protections to safeguard employees. We have several internal appeal processes that individuals can go through. I have proposed and I have stated publically, since we have to propose regulations, that I would add an additional appeal as part of that regulatory process where individuals would have an expedited appeal directly to me in addition to what their current rights are. In addition, we have an independent Personnel Appeals Board comprised of three independent attorneys paid for by GAO but with no relationships to GAO that individuals can appeal to even after the internal appeal process. In addition, for certain types of actions, they can go to Federal court. By the way, we pay for the Personnel Appeals Board. So there are a number of substantive protections.

Unlike executive branch agencies which are headed by political appointees of a particular party, the Comptroller General has a 15-year term. He is a nonpartisan professional and therefore must suffer the consequences of whatever he does. And therefore, given that we are in the people and knowledge business, I can assure you that my successors would be prudent, because we would pay the price if we weren't. Plus congressional oversight obviously serves to keep us in check.

Mr. OSE. My final question, Mr. Chairman, before I offer one observation at the end of the response, would be that a lot of what happens up here is either legislative or regulatory. Does GAO have any authority right now to issue regulations from a regulatory standpoint to handle this rather than pursuing it on a legislative basis?

Mr. WALKER. We have the authority to do regulations. However, we are talking about adding some criteria, namely, skills, knowl-

edge, and increasing the weight of performance that could be contested if we tried to do it through the regulatory route. Arguably, we could go that route, but there are significant litigation risks, my general counsel has told me, if we go that route. We believe that we prepared a sound business case, that we have got adequate protections, and we would respectfully request the support.

Mr. OSE. The reservation that I mentioned moments ago had to do with following up on comments from my good friend from Illinois, and that is that Mr. Willemssen has been a star and a source of great information for me, at least as a Member, and I want to commend his efforts from you.

Mr. WALKER. He received the Comptroller General's Award last year, which is the highest award we can give, as well as Helen Hsing, who is head of Congressional Affairs. He is an outstanding individual.

Mr. HORN. One of the key things in the results-oriented program that we are pushing and that this has been done on a bipartisan way 10 years ago, we are trying to make it happen; and if it is going to happen, we really need a cadre, and maybe you already have it, that can experiment with different approaches to how do we measure the effectiveness of Federal programs. And I just wonder what your thinking is along that line.

Mr. WALKER. It is part of the recent reorganization that I announced at GAO. One of the things that I am creating is the Strategic Studies Group; and they have the expertise to do some of the type of work that you are talking about, Mr. Chairman.

If I can, I would like to mention one other thing before we wrap up. That is we have not had a Deputy Comptroller General in GAO for over 20 years. The current statutory framework for appointing the Deputy Comptroller General has never worked. It is broken. It needs to be fixed. We need to work together. We need a Deputy Comptroller General. Gene Dodaro would make an outstanding Deputy Comptroller General.

Mr. HORN. I think we can all testify to that. He has been an outstanding witness in the 8 years I have been involved with this committee.

Well, we thank you, and we hope that you will stay with us as we get your two predecessors.

We would like at this time to have Comptroller General Staats and Comptroller General Bowsher and Mr. Ink, President Emeritus, Institute of Public Administration.

Mr. Walker, you can remain at the table, by the way.

We are delighted to have with us today Elmer Staats, who has a great reputation in this city, over 40 to 50 years. He became a member at the Bureau of the Budget in the 1930's, in 1939, and was Assistant to the Director and Assistant Director of Legislative Reference. I think you followed Roger Jones, I believe. Or did you precede him?

He has been Executive Assistant to the Director of the Bureau of the Budget in the late 1940's and Deputy Director in the 1950's and in the 1960's. Then he was in private industry for awhile and then he was nominated to be Comptroller General of the United States and served from 1966 to 1981.

We would appreciate any comments that you might have. You have watched the agency more than any of us. Anything that you would like to stay, we would be glad to listen to it.

STATEMENT OF ELMER STAATS, FORMER COMPTROLLER GENERAL OF THE UNITED STATES (1966–1981)

Mr. STAATS. Thank you, Mr. Chairman. I do not have any prepared testimony. I came mostly to answer your questions.

Two things I would like to say: The bottom line for GAO is its credibility and that has a lot of implications for the length of term of the Comptroller General and the bipartisanship. I think that is something that we have to keep in mind.

The other thing I want to say concerns program results and program evaluation. President Johnson, when he appointed me, thought the job of the Comptroller General to involve those activities—and he had been in the House a long time and in the Senate a long time. He thought for a moment; and he said, when Congress passes a bill and I sign it, it is your job to tell both of us whether that law is being carried out as we intended it to be carried out. And that is a pretty good definition of the job of GAO.

GAO has changed a lot since the time I joined it in 1966. I don't think Comptrollers General could have done all they did if they didn't have a 15-year term. It takes a long time to make some of these changes, but it has changed a lot.

When I joined the GAO, the personnel was entirely lawyers and accountants, so I had a job of convincing people that we could use other disciplines and other backgrounds. That was a real problem in recruiting because you have accounting in the name of your organization and you have to tell them, no, we are an accountability organization. We even thought some about changing the name of GAO. If you look at the rest of the world, most of the people in comparable jobs are called Comptrollers General or auditors general, and so we decided to stick with the title General Accounting Office.

A couple of comments. I think Congress is making a big mistake in cutting back on the staff of GAO—an organization that is putting more money in instead of taking it out. If you look at the cost and benefits of what comes out of GAO—I think Congress tends to look at GAO as they would any operating agency in the executive branch. There are obvious ways to save money. Here you are dealing with an organization whose sole job is to try to make government more efficient; and to save money and to cut GAO—I think it is a little like a penny-wise/pound-foolish approach, to be very blunt about it.

On the whole, I had pretty good success in persuading Congress. We were not always happy, but most of the times we were. I think Congress tends to look at the GAO from the standpoint of an operating agency, like the Pentagon or something else, but what can Congress get from the GAO that is going to help them do their job, and that is what GAO is about.

I am little concerned about the fact that GAO has no—has less freedom to initiate work of their own. When I was at GAO, less than 10 percent of our work was requested by Congress; and the answer that I got from Members of Congress was we know that

GAO is a good organization but not really relevant for what we need. From the time I left in 1966 we were up to a little over 40 percent.

Now you can look at that both ways. If the GAO keeps in touch with the Congress as to its work plans, a lot of its work plans will be accommodated to the committees of Congress. So part of our objective was we worked to contact all of the committees and Members and to see what they thought about, so a lot of our priorities were established by consultation, and that tended to relieve some of the congressional requests.

There is always the question, how does GAO decide what it is going to work on? I don't think that it is right for Congress to deny GAO to initiate its own work. GAO is intended to be an independent auditor of the Federal Government. If you are an independent auditor, you have to make your judgment as to whether or not what you are going to do is going to be the correct thing to do. Independence is kind of the keystone of what we are talking about. This 15-year term, the fact that GAO is given a lot of freedom to initiate work, these are all parts of it.

I think the GAO is always going to be in a position of trying to anticipate, I call it early warning, where we can look down the road and see what is going to be important before it reaches the stage of having legislation or a hearing and so on. I think we can—GAO can do a lot of that. But they don't do that unless they have a little freedom to do it.

When I went to GAO, I found that Congress had not mandated any work for IRS. We didn't have any authority. We didn't have any authority to do anything with respect to the Federal Reserve Board. The international lending agencies, those were out of our providence. So we had the job of trying to persuade Congress that they overlooked something. Generally, we had pretty good cooperation from Congress on that.

I came to Congress to get GAO its own personnel system. It didn't make any sense for GAO to be under the rules of the executive branch in that respect. I had some opposition to that in the executive branch, but it has worked out all right. GAO needs that kind of flexibility to write its own rules as far as its own work force is concerned.

There are two or three things that I want to say and then maybe answer your questions.

Mr. HORN. I would like you to confirm or deny the following statement. As I remember the LaFollette-Monroney Act that created the CRS, the research service for Congress, there was also a hope of professionalism on the part of the staffs. Before that, they had a clerk that was sort of keeping the show running, but they didn't have a professional staff until the LaFollette-Monroney Act was recognized in both the office and the committee.

As I remember, there was a role for GAO, and that was to get into the programmatic review. And yet your predecessors could not implement that because Mr. Rayburn did not think it was a good idea; and neither did Clarence Cannon, the chairman of the Appropriations Committee. Both of them, I believe, were dead before you got there; and I think, under your leadership, the GAO moved into programmatic analysis. And I think that is exactly what they ought

to be doing, along with the fiscal debt, and they don't that much. You contract a lot of it out. I just wondered, am I correct on that bit of history or am I wrong?

Mr. STAATS. The first Comptroller General was under President Roosevelt, and he decided a lot of things that Roosevelt was doing was illegal.

Mr. HORN. Wasn't that Mr. McCarl?

Mr. STAATS. Yes. So that the relationship between the executive branch and GAO at that time couldn't be worse. But he stuck it out for 15 years. He never was convinced that the Roosevelt program was the right thing to do. He tried to find some way to make it illegal. The GAO does have some authority to pass on the legality of funds, there is no question about that, but I think he overdid it.

I think the—in general, the Congress has been very supportive of the GAO. I say that as a general statement. I had a problem with the budget and their approach to it. GAO is different from CRS and the CBO. Their whole job is to help Congress. GAO has also the role of being an independent auditor. That means you seek out things that need to be done and look at it and report to Congress on it. So it is a very different relationship. There has to be some coordination obviously.

In general, I would like to say if Congress looks at the GAO in the same way it looks at CRS and CBO, I think they overlook something.

Mr. HORN. To what degree do you believe the existence of inspectors general that Congress put in everywhere 20 years ago, did that, in essence, do some of the work that ordinarily the General Accounting Office would take care of?

Mr. STAATS. I was concerned about that when the law was passed, but it didn't turn out to be a matter of concern. For one thing, the inspectors general are dealing with a lot more internal problems than we are. Very rarely do they deal with problems of interagency concern or governmentwide concern. They were looking primarily at issues pertaining to that agency. It didn't turn out to be a real problem. I think, on the whole, it has been a good development.

Mr. HORN. Well, let's call on Mr. Bowsher; and then we will have questions from all members of the panel.

Mr. Bowsher, it is a pleasure to see you. You were also a complete 15 years. So it must be a healthy job. It is like being President.

STATEMENT OF CHARLES BOWSHER, FORMER COMPTROLLER GENERAL OF THE UNITED STATES (1981–1996)

Mr. BOWSHER. It is a very healthy job. My predecessors all lived to be into their 80's, and so I have confidence that this has been a good job for my health.

Let me just say that I think the Comptroller General job is really one of the great jobs in government. I have been working recently with Dave Ruder, who was chairman of the SEC for a period of time and was a dean at Northwestern Law School; and he always introduces me as having one of the best jobs in Washington and the GAO as one of the great agencies in the government.

I think the mission that the GAO has, which is we have to look at all of the various programs of the Federal Government is something that attracts the outstanding talent that does come to GAO; and I know Dave is right at this moment in time, because of the competitiveness, the strong economy, the big salaries that the private sector is offering that it is harder to get talent. But I am sure that GAO will be able to attract really talented people and keep them over the years because of the mission and the work that they get to do at the GAO.

I would strongly urge that the Congress give the Comptroller General and the GAO budget stability. I had it for 10 years. The first 10 years I was in office, Vic Fazio was the chairman of my subcommittee in the House Appropriations; and Jerry Lewis was the ranking person; and they gave me budget stability. And I always remember saying to them, if you can do that for me I will run a great GAO; and we made a lot of progress at the GAO in those 10 years.

When the budget deficits got so large and we had to take a cut, I remember saying to Connie Mack, if you let us do it the right way, we will be able to bring the organization down in the right way, and that was a big help. I will always be very grateful to Senator Connie Mack. And Bill Clinger, too, was very helpful at that point.

But Dave is right. I think today there has to be some rebalancing at the GAO for the 21st century, and I would hope that the Congress could give them that kind of support.

The GAO is an agency that is like very few others. It is a much smaller agency today than it was years ago, and yet it produces so much more, so many more reports and testimony, so many more dollars saved. It is a real tribute to this agency that they can compare themselves to the best in the private sector.

I remember working with Booz Allen at the end of my 15-year term on a management review of another agency, and the managing partner at Booz Allen said I never saw an agency in the government and very few in the private sector that have a better work ethic than the GAO. The people worked hard and did it on a timely basis.

And one time I had Dr. Demming at the GAO on a Saturday. He said he would come for nothing if we would meet on Saturday or he would charge me $10,000 if it was on a weekday. I said, I'll take the Saturday option.

John Sawhill came, a former partner of McKinsey; and he was amazed what a breadth of testimonies and reports that our SES members had to handle. He compared it to the partners at McKinsey. I was a former partner at Arthur Andersen. I too, knew that the leadership of GAO carries a very big load and does it extremely well.

So I think if the Congress can support the current Comptroller General and the GAO, I tell you, you are going to get a good payoff. I will conclude on that note.

[The prepared statement of Mr. Bowsher follows:]

Statement of
The Hon. Charles A. Bowsher
Comptroller General of the United States
1981-1996
Before the
Subcommittee on
Government Management, Information, and Technology
House Government Reform Committee
July 18, 2000
10:00 A.M.

Mr. Chairman, I want to thank you for the invitation to appear today at this oversight hearing. You've asked me to recount some of the challenges I faced during my tenure as Comptroller General and to provide you with my thoughts on how best to insure that the General Accounting Office remains a strong organization to serve the needs of the Congress.

It was my privilege to serve as Comptroller General between 1981 and 1996. My background prior to coming to GAO included service as Assistant Secretary of the Navy for Financial Management from between 1967 and 1971, and a private sector career as a partner at Arthur Andersen and Co. that spanned 25 years beginning in 1956.

Needless to say, I consider GAO to be a wonderful government agency – an organization of highly motivated men and women, many of whom dedicate their entire careers to the agency, a rarity in this day and age. I think this high degree of commitment stems from the historic mission of GAO – assuring financial accountability; evaluating the effectiveness of programs throughout the federal government to protect the interest of taxpayers; investigating allegations of waste, fraud, and abuse; and issuing legal

decisions. Because the work is challenging and because GAO staff feel they make a difference when it comes to promoting better government, the agency has been able to attract the "best and the brightest" from our top universities, even through pay and benefits are better in the private sector.

Historically, GAO has gone through a number of evolutions from its earliest days when clerks checked and approved vouchers for government expenditures. After World War II, the clerks gave way to a more professional workforce composed largely of accountants. My predecessor, Elmer Staats, led the agency into program evaluation in the 1960s and 1970s, a move that entailed hiring experts with a wide range of expertise.

When I became Comptroller General in 1981, I followed his example, concentrating GAO's resources on those programs at risk for big dollar losses, either because the program should never have been undertaken, or because it was poorly executed. The honey subsidy program is an example of the first; the B-1 bomber is an example of the second.

One of the biggest challenges I faced as Comptroller General was the need to restore financial integrity to the federal government. During my tenure, we found that in agency after agency, accounting systems were woefully out of date; agencies often had little knowledge of where money was being spent; and there was inadequate financial accountability. While we've long demanded that public corporations submit their financial statements to a yearly audit, we'd never demanded the same discipline for

federal agencies that routinely spend billions of dollars. That is why passage of the Chief Financial Officers Act in 1990 was such a landmark piece of legislation: it set the stage for annual financial audits of major federal agencies and the production and audit of consolidated financial statements for the federal government as a whole. While GAO took the lead in urging this legislation, it would not have been possible without the support of this committee in the House and the Governmental Affairs Committee in the Senate.

The CFO Act, of course, was only one of several pieces of legislation related to financial accountability passed while I was Comptroller General. Others included the Single Audit Act, the Clinger-Cohen Act, and the Government Performance and Results Act.

There were, of course, other challenges during my tenure, including:

- The growing budget deficits of the 1980s and early 1990s, which led to major deficit reduction legislation in 1990 and 1993. GAO played a role in advising the Congress in both cases.
- The meltdown of the savings and loan industry, which led to a bailout that ultimately cost the taxpayers hundreds of billions of dollars. GAO was among the first to sound the alarm about the perilous state of the S&L industry when we saw insurance fund disappear overnight to satisfy the claims of those who lost their savings. Ultimately, GAO played a major role in the passage of legislation to institute needed reforms.

- The dramatic increase in the cost of health care, the biggest cost driver on the domestic side of the budget. Beginning in the late 1980s, GAO undertook a variety of studies on all facets of the health care problem to assist Congress in its understanding of the issue.
- Changes in the U.S. defense needs in the aftermath of the tearing down of the Berlin Wall and the end of the Cold War. GAO was called upon to perform studies on major weapons systems, their cost, and their impact on our overall defense posture in the post-Cold War era.
- GAO provided assistance to Congress when the Civil Service Retirement System was overhauled in the mid-1980s and during my tenure undertook numerous studies of the federal workforce, including the "reinventing government" initiatives of the present administration.
- With the end of the Cold War came the realization that our aging nuclear weapons plants have left a legacy that will cost hundreds of billions of dollars to fix. GAO under the leadership of former Assistant Comptroller General Dexter Peach undertook study after study of the problems associated with this industry – problems that are still being resolved more than 15 years after GAO began reporting on the issue.
- Finally, I'd mention the major problem agencies have faced in modernizing old computer systems. From the Federal Aviation Administration to the Internal Revenue Service, the federal government has poured billions of dollars into ineffective and wasteful modernization programs that simply failed – all of which was documented for the Congress by GAO.

I've mentioned these big program challenges because they have one thing in common: the fact that GAO had the expertise to look at these problems in detail and provide the Congress with objective, unbiased analyses of the underlying issues, together with recommendations. GAO had this expertise because for many years it enjoyed the budget stability that is essential when it comes to building a staff of experts. For the first two-thirds of my term, I could anticipate a budget that allowed GAO maintain a stable level of staff, to hire the experts we needed to cover attrition, to build the systems essential to our work, and to modernize our workspace. As a result, GAO became more productive, more efficient, and more effective.

But then, beginning in 1993, we came face to face with the budget deficit. Ultimately, GAO was subjected to a 25 percent reduction in its budget. I believe that we handled the matter as effectively as it could have been handled. In return for phasing in the budget reductions over two years, GAO undertook a series of steps to manage the ramifications of losing such a large percentage of its annual budget. In the end, we protected our core expertise even as we lost hundreds of workers to attrition and the cumulative impact of a hiring freeze that lasted five years.

This, of course, brings me to the question you posed when I was invited here today: what does Congress need to do to assure a strong and effective GAO? I'd answer that question by saying that while GAO managed to retain its productivity and effectiveness as it went through the downsizing, the agency now faces major problems that stem directly from the downsizing. These must be confronted if GAO is to maintain expertise and excellence.

I would cite these issues:

- GAO paid a heavy price in delayed modernization of its information technology systems during the lean years of the downsizing. One of the lessons we've learned is that playing "catch-up" all at once in the IT arena is expensive and counterproductive. GAO and other agencies that must rely on computers and other technology to support their work need to be able to budget a steady stream of resources to remain current in this field.
- Because of the budget reductions, GAO's staff is now 40 percent smaller than it was when the downsizing began. While efficiencies are always possible, the extent of this reduction created real problems for an agency that relies of its expertise in any number of disciplines. Furthermore, these cuts have made the agency top-heavy – that's one of the inevitable results of being unable to hire new staff at lower levels. Now, to complicate the situation, GAO faces an exodus of its senior managers and analysts as retirement beckons more and more of the staff.
- Finally, I worry that GAO may be less capable today than it was 10 years ago in its ability to handle complex assignments, and to complete those assignments on a timely basis. In some cases, the base of expertise has been lost or is less than once existed, although that base is being rebuilt. In other cases, there are simply not enough people to adequately staff complex assignments. One of GAO's historic strengths has been its ability to undertake original research in depth. But that kind of work sometimes takes months to complete and requires a sizeable investment of resources. If GAO

> is unable to undertake the more complex assignments, the ability of Congress to obtain detailed research on "big issue" problems will have been diminished. The bottom line is that a downsizing of this magnitude affects the ability of an agency such as GAO to serve the needs of Congress.

For the future, I believe GAO needs stability above all else. It needs an adequate budget that it can count on year by year. It needs to complete the rebuilding of its base of expertise. It needs the resources to assure itself that it will always be able to provide its staff with state-of-the-art technology. If you give GAO these tools, Mr. Chairman, I think the agency, working with the Congress, will make the government more effective and save the taxpayers billions of dollars. For all the challenges it faces today, GAO remains a unique organization. When all is said and done, GAO and its people have demonstrated a commitment to serve the Congress and the American taxpayer. Few other agencies have discharged their duties as faithfully and as well for as long.

That concludes my remarks, Mr. Chairman. I will be happy to answer your questions.

Mr. HORN. Let's turn to Dwight Ink, who has been a regular helper on this subcommittee, president emeritus of the Institute of Public Administration and formally in all types of roles under numerous presidents.

STATEMENT OF DWIGHT INK, PRESIDENT EMERITUS, INSTITUTE OF PUBLIC ADMINISTRATION

Mr. INK. Thank you, Mr. Chairman. I did not serve in the GAO, which I guess is why I am not listed as honorable on the witness list here, but I did serve in the Executive Office of the President and a number of other agencies. My perspective is from that type of service.

I certainly think highly of the General Accounting Office. It has an extremely important role to play, and it has provided strong leadership under both Mr. Staats and Mr. Bowsher in improving management. But Congress needs to take great care to make sure that its own actions support a highly skilled agency that can function effectively in a rapidly changing environment, and that is important. I have found the GAO staff to be competent, dedicated; and there have been occasions when I thought that the GAO was really about the only ally I had in addressing management problems and mismanagement in particular.

Over the years, the General Accounting Office has made a particularly enormous contribution in financial management. Great as those contributions are, I have on occasion felt that they could make an even greater contribution if Congress let them be more selective in its work regarding departmental management and focus more heavily on basic issues and the root causes of these problems. I give some examples in my written testimony, in one of which Mr. Bowsher believes I have overlooked some early reports by the GAO on the S&L problem. I will go back and look at that, Chuck.

But I have found as I picked up responsibility for various agencies and bureaus, very useful GAO reports about their accounting systems. But it has been very difficult for the GAO to have the resources, particularly now, to devote to the more basic problems and issues.

I mention the Community Service Administration, for example, where it was clear that there were financial problems, clear that financial management was not good. But the IG reports and GAO reports didn't really get to the depth of the problems, such as the fact that no program manager was permitted to know his or her unobligated balance, which is pretty fundamental. No career person was permitted to make recommendations with respect to major contracts or grants in order to ease the rewarding of political friends. Those are basic building blocks for corruption, and it is important that GAO be given the kind of flexibility and the ability to initiate its own work, so that it can choose these kinds of targets early on and devote whatever resources are necessary to deal with them.

With respect to cross-cutting issues among government agencies, GAO has not been able to devote the kinds of resources I think it needs to address directly issues such as the difficulties in the executive branch in implementing effectively the Civil Service Reform Act of 1978. Yet that legal framework, and the concepts behind the

legal provisions, are extremely important for effective execution of the laws passed by Congress.

Neither has the GAO been able to look in depth at the management performance of the Office of Management and Budget. You may recall when this committee asked the GAO to review the management impact of the most recent OMB reorganization, the GAO declined and opted instead to look just at its effect on the budget operations. I would like to see the General Accounting Office be in a position to address these very broad cross-cutting issues that have such a tremendous impact on government operation as a whole.

I opposed the GAO having to follow the executive branch reinventing government policy of reducing staff levels simply on the ideological notion that government is too big and the best way to reduce it is to make staff cuts without first looking at what can be done differently and where such cuts might best be applied. Thanks to Mr. Bowsher, there was some attention in this instance given to at least alleviating the worse impact of these cuts, something which did not occur in the executive branch agencies.

I want to stress the support that I have for the move by Mr. Walker to increase training and development within GAO as a part of his very welcome emphasis on human capital management. Again, this is an area which in the executive branch, outside of the military, has declined when it should be increasing. With the different roles of the employees and their different focus and their different culture, you need greater emphasis, not less emphasis, on employee development and training.

Mr. Chairman, it seems like I am always commending you and this committee on holding hearings; and I do it again today. The interest that this committee shows in the General Accounting Office it is very important, because the interest in Congress as a whole is often very much focused on an individual problem or individual issue, so that Congress really doesn't deal with the health of the General Accounting Office as a whole and its overall ability to help and respond to Congress.

Congress has a responsibility to discipline itself in what it asks GAO to do. The large volume of individual and committee requests that we have heard this morning has reduced the capacity of the General Accounting Office to pursue important avenues that it believes needs attention. Its capacity to pursue the basic problems and root causes of systemic shortcomings such as I have mentioned has been sharply limited by a combination of these many congressional requests and the ill-advised reduction in staff of several years ago. Congress must address both of these issues.

I suggest this committee work with GAO in exploring ways in which individual congressional requests might be better screened or required to meet certain conditions. I also urge this committee to provide support to the General Accounting Office in giving greater priority to those issues which the General Accounting Office leadership regards as the most serious problems facing the departments and their root causes. In other words, permit the General Accounting Office to do more self-initiated work as it did through much of its earlier history.

In conclusion, let me reiterate the high regard in which I hold the General Accounting Office, its leadership and its staff; and I wish Mr. Walker well as he moves ahead with a new vision for GAO. Thank you.

Mr. HORN. Well, we thank you. You've always been a very sound voice before the committee.

[The prepared statement of Mr. Ink follows:]

TESTIMONY OF DWIGHT INK

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT
INFORMATION AND TECHNOLOGY

HEARINGS ON

THE GENERAL ACCOUNTING OFFICE

JULY 18, 2000

Testimony of Dwight Ink Before the
House Subcommittee on
Government Management, Information and Technology

GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to testify in your oversight hearings on the General Accounting Office. The following comments represent my personal views resulting from many years of working with the General Accounting Office (GAO) during my seervice in the Executive Office of the President and in ten different agencies. In summary, I think highly of the GAO and believe the Congress needs to take great care to make sure that its own actions support a highly trained, independent agency.

I have found the GAO to be an extremely important organization of great value to both the legislative and executive branches of government with respect to revealing operational problems that need corrective action. GAO has been able to retain highly competent personnel who are very dedicated to their work. On occasion I have disagreed with GAO findings, and there are a few instances in which I believed their staff had been assigned tasks in highly specialized areas for which they lacked the required experience. But I have always found them to be honest men and women striving hard to be objective. There have been occasions when I felt the GAO was about the only ally I had in addressing problems of mismanagement. And for many years, it has provided strong leadership in pressing for government-wide financial management improvements. Finally, I share the positive reaction most people have with respect to the leadership of the new comptroller general, Mr. David Walker.

I will devote the balance of my testimony to areas which may deserve further attention as GAO moves forward.

Financial Management

I believe GAO has made an enormous contribution over the years to the improvement of financial management. It has provided continuity of effort that has been more difficult to sustain in OMB which has to adapt to frequent changes in leadership and a diminution of attention to crosscutting management problems. Nevertheless, the two agencies have cooperated in many ways that have been of value, the longest duration being that of the Joint Financial Management Program in which Treasury has also played a positive role.

Whenever I took over a new organization, one of the very first things I did was look at GAO reports that had been issued and discuss their principal findings with GAO. These reports always revealed deficiencies that needed attention, and were very useful. However, I often found little or no information in the GAO material about the most basic problems with which I was soon confronted. The reports focused on process deficiencies, but gave few clues as to the root causes of the problems. Let me illustrate.

In becoming head of the Community Services Administration (CSA) some years ago, I found GAO reports that listed a number of procedural weaknesses in their accounting system that had not been addressed to any degree. This was very useful information.

However, I did not find that either the inspector general or GAO reports revealed the most outrageous practices. I found no mention, for example, of the remarkable fact that as a matter of policy, no career manager was permitted to know his or her unobligated balance in major program accounts. Not many failures are more fundamental than that. There was nothing in either the GAO or inspector general reports that flagged for me the fact that career managers were not permitted to make recommendations with respect to which contractors should be selected or which groups should be awarded grants of any size. Those decisions could be made only by the top political employees, thereby making it easier to use public funds to reward administration friends.

These types of financial and procurement arrangements were major components of a thoroughly corrupt system that had been building over the years. They were deficiencies far more basic than the procedural weaknesses that had consumed most of the GAO attention. The career men and women in CSA should never have had to work under those conditions. More important, the public deserved nonpartisan administration of the law.

Similarly, upon my entering the Agency for International Development, the GAO staff was very helpful in pointing out a series of significant financial management weakness they had uncovered in the agency. But I soon realized the problems were even more basic than either the GAO or IG reports revealed. I then established a special controller operation to strengthen our ability to track and protect our funds overseas, and we removed the director and virtually all of the top staff in one mission where lack of controls was resulting in major violations of law. GAO would have been more helpful to me if they had devoted even more effort to the basic problem of inadequacy of our accounting system to produce reliable reports and less attention to the complex issue of the use of local currency which was a difficult and highly specialized issue the GAO people did not have the time to fully understand.

Higher Priority for Basic Issues

Financial management is not the only area in which I would encourage GAO and the requesting elements of Congress to focus a higher proportion of effort on basic problems, especially those whose solution can be seen by the public as making a difference.

A number of GAO reports have revealed individual instances of headquarters-field difficulties, but I have not seen much that has dealt with the broader agency-wide assessment of field delegations, program accountability and other basic ingredients of an effective headquarters-field structure, staffing and processes. Particularly important is the capacity of field offices to service the public effectively. Some believe that in the modern world of technology, there is no longer much of a role for field offices. I agree

that their role is quite different in many, if not most, instances. And, in most cases, we do not need as many employees as in earlier years. But I would argue that there is still an important role for field offices, especially in monitoring the effectiveness of service delivery and expediting actions. Local governments and neighborhood groups still encounter problems in utilizing assistance that involves a variety of inter-related federal programs. These are the type of issues I believe merit greater GAO attention.

Perhaps I missed it, but I do not recall GAO reports that flagged in advance the accountability failures that contributed heavily to the S&L crisis, although GAO did issue other reports later. Earlier attention by OMB and GAO to the most basic principles of management could have saved billions of dollars, I believe.

I would also urge greater GAO attention to the performance of the central agencies, particularly OPM, MSPB, and OMB. (GSA has received considerable attention.)

It has seemed to me, for example, that the GAO work has skirted, but never devoted the resources required to address directly the serious failure of the executive branch to implement effectively some of the most important objectives of the Civil Service Reform of 1978, particularly in recent years. This reform contemplated basic streamlining of the system with greater flexibility for management, new safeguards to deal with abuses of the merit system resulting from this increased flexibility, and a much closer relationship between human resource management and organization mission.

This legal framework, and the concepts behind the legal provisions, is extremely important to the functioning of agencies and the execution of the laws passed by Congress. On a related topic, I am delighted with Mr. Walker's initiative on strategic human capital management and urge this Committee to give strong support to his efforts.

In a similar vein, over the years the GAO has not looked carefully at the management performance of OMB, although on several occasions it has mentioned a decline in this area. For example, it never looked at the Office of Executive Management, one of the

first of many reorganization efforts to improve the President's management arm. When this Committee asked the GAO to review the management impact of the most recent OMB reorganization, the GAO declined, opting instead to look only at its effect on budget performance. Yet the success or failure of the "M" in OMB has an enormous potential impact of the operation of the federal government.

I want to make clear that despite the instances I have just cited, the GAO role has been of considerable help to us and to others with program responsibilities. But in my view, GAO would have been of greater help by focusing more on basic problems and the root causes for their existence even if that meant overlooking some of the less significant agency shortcomings.

Looking to the future, the dramatic impact of technology on government operations will require considerable attention by GAO, as well as OMB. I believe the role of contractors and grantees, what we call third party management, will merit much greater attention by both OMB and GAO. For example, how does third party management fit into the GPRA performance plans and the evaluation of outcomes?

It is my understanding that Mr. Walker is concerned about the more basic issues. I urge the Congress to support him in any steps he may be taking to give higher priority to searching for the root causes of the process deficiencies they encounter.

Highly Specialized Subjects

Upon entering the old Atomic Energy Commission, I encountered an impressive Bureau of the Budget examiner who had no atomic energy expertise but who, through a prodigious effort over several years, had developed a surprisingly sophisticated layman's grasp of that extremely technical field. This enabled him to deal with the AEC budget in an effective way. Similarly, there have been GAO staff members who have come to do well in highly specialized fields. In addition, there have been greater efforts in recent

years to recruit individuals from such fields and to supplement staff with consultants having the necessary expertise.

Nevertheless, providing qualified expertise for specialized areas continues to be a difficult challenge because of the increase in degree of specialization, and the increased rapidity with which change occurs in many fields. When the GAO is asked to quickly address program management issues in specialized areas for which it does not have the particular skills and experience the circumstances require, the credibility of GAO is difficult to preserve.

This challenge is compounded by the wide range of congressional requests for GAO work, often directed toward rather narrow one-time issues for which GAO cannot maintain specialized staff and for which it is often difficult to engage and utilize consultants on the timetable requested by Congress. I would urge members of Congress to take care not to press GAO into highly technical areas unless the problem is of substantial significance. In saying this, I distinguish such cases with limited application from those technical areas having broad implications in which GAO does have to develop considerable capacity, information technology being an obvious example.

Policy Involvement

Several years ago a panel of the National Academy of Public Administration cautioned about drawing GAO into policy analysis and policy development. Their report stated "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."[1] I agree.

[1] *The Roles, Mission and Operation of the U.S. General Accounting Office*, 1994, p. iii, a report prepared by a panel of the National Academy of Public Administration at the request of the Senate Committee on Governmental Affairs.

Not only does policy involvement place in jeopardy the credibility of GAO as an impartial organization, it makes GAO very vulnerable to being whipsawed among the many factions of Congress and powerful individual members of Congress. We need to understand, however, that the Academy panel did not intend to discourage GAO from looking at management and financial implications of policies, a role that admittedly makes GAO vulnerable to the perception that it is taking policy positions.

GAO Staff

I opposed the reduction in GAO staff levels that took place several years ago. As was the case in the Reinventing Government effort of the executive branch, I never saw a credible justification for the cuts. GAO seemed to be swept up in an ideological notion that government was too big and the way to reduce it was to blindly cut to arbitrary levels, rather than analyzing what could be done differently with fewer people or by devolution and then determining what staffing levels were warranted. I suspect that congressional pressure played a substantial role in the case of GAO. In any event, I fear the GAO is now faced with more congressional requests on more different topics than it can handle with the quality of effort required for effective performance.

I would also urge that great care be taken in developing meaningful indicators of performance for GAO. One of the values I found in GAO was the absence of the "gotcha" mentality that has handicapped some inspector general operations. The extent to which GAO helped me and my staffs avoid problems was invaluable to my agencies, saved taxpayer money, helped retain a positive public image of the public service, and encouraged my people to cooperate more fully with the GAO. But the value of steps that help prevent scandal and other shortcomings is hard to measure in tangible terms.

I am very pleased with what I understand to be a move by Mr. Walker to increase the training and development program within GAO as a part of his welcome emphasis on human capital management. I believe GAO has not been effective in flagging the degree to which this important activity has been downgraded in much of the executive branch

with the exception of DOD. As the staffing levels decline, and as roles and missions change, there is increased need for training and development of those men and women who remain.

Congressional Role

Mr. Chairman, you and this Committee should be commended for holding these hearings and for showing an interest in the institutional well being of GAO. In fact, I would urge this Committee and the Senate Governmental Affairs Committee to take a more active role in helping GAO become as effective as it possibly can. GAO is largely at the mercy of Congress which has a responsibility to discipline itself in what it asks GAO to do.

The large volume of individual congressional requests has reduced the capacity of GAO to pursue avenues it believes need attention. Its capacity to pursue the basic problems and root causes of systemic shortcomings that I have mentioned has been limited sharply by a combination of these many requests and the ill-advised reduction in staff of several years ago. Several agency people have told me they see some decline in the quality of GAO work because of staff limitations, although I do not have firsthand evidence of this.

I suggest that this Committee work with GAO in exploring ways in which individual congressional requests might be better screened or required to meet certain conditions. I also suggest the committee provide strong support and encouragement to GAO in giving greater priority to pursuing in greater depth what the GAO leadership regards as the most serious problems facing the departments and their root causes.

In conclusion, I again stress the high regard in which I hold GAO. It was of great help to me during a long career in a number of presidential assignments. At BOB and OMB I had the task of following up on major GAO findings and recommendations concerning departments and agencies throughout government, giving me a great opportunity to appreciate the important role and performance of GAO. I wish Mr. Walker well as he moves ahead with a new vision in entering a new chapter in the life of GAO.

Mr. HORN. I would like to call on my colleague, Mrs. Biggert, the vice chair of the subcommittee and the gentlewoman from Illinois.

Mrs. BIGGERT. Thank you, Mr. Chairman.

Mr. Walker had a chart that I believe he went over a little bit, but I would like to ask Mr. Bowsher and Mr. Staats about it. It looks like in 1966, when Mr. Staats had this office, that 90 percent of the work conducted for Congress was research and development and then 10 percent was committee and Member requests.

By 1981, when Mr. Bowsher took over, 65 percent research and development, 33 percent committee and Member requests, and then a small little portion came in there of 2 percent of mandates, and then now it is 72 percent committee/Member requests and a small portion of research and development and 23 percent for mandates.

I guess I am wondering how research and development really differed from committee or Member requests and why there was such a dramatic change in these charts since the period of time that you started, Mr. Staats, and then pretty much of a change in 1981 until today when we have 72 percent for committee and Member requests? Or what is the difference I guess between research and development and committee and Member requests?

Mr. STAATS. I have a little trouble with the research and development term as such because the General Accounting Office is supposed to take the initiative on anything that it sees that needs to be looked at. Research and development, I would prefer to call research and development in the training of the staff. GAO has done a very limited job in terms of training. When I was there, very little was done. We didn't have the staff to do the training. So I looked to the consulting firms and the public accounting firms. They are spending a lot of money, in some cases as much as 25 percent of their total budget, on training. That is what I call capital investment. That is kind of the key to the diversification that you need for the GAO's work. I had actuaries, I had all kinds of disciplines, but you have to do a lot of training to accomplish that.

Mrs. BIGGERT. Mr. Bowsher.

Mr. BOWSHER. When Elmer Staats first came into office, the Congress was saying that the GAO is a good organization, but it doesn't work on the issues that we find important. He got it going in the right direction. When I came into office, GAO was working more and more on the important issues in the eyes of the Congress, and that trend continued during my tenure.

Also, a lot of the self-initiated work that had previously been done with very little communication with Congress really became, lots of times, congressional requests. In other words, when we would do our planning in the housing or in the agriculture area, then we would come over and show it to the committees. They would say, that is good, let me send you a request. So I guess I never worried about it getting too high a percent as long as I always said to my SES leaders, is there any important work that we are not doing right now because we have too many congressional requests? And there were a couple of times when we had to come to the chairmen of the committees and ask them to be more of a referee as to some of the requests coming over.

But, on balance, in my 15 years I thought we were able to do the important work. Most of it ended up being congressional requests. I think Dwight Ink is right. It is one of the things that you have to be concerned about. Because if you are getting congressional requests but not doing the important work, that is not good.

The S&L crisis, we did not expect to spend as much time on the S&L area as we did for 5 years, so we had to move our talent over into that area. And I think we did tremendous work in the S&L area. I think the Japanese have found out by not addressing the issue directly it has caused a tremendous drag on their economy.

So those are the problems that you face as the Comptroller General working I think with the leadership of the Congress, but I think it can be worked out. I really do.

Mrs. BIGGERT. Then maybe you could just comment on mandates. How does that differ from the other work that is done? Or what do you do with mandates?

Mr. BOWSHER. Mandates are a little tougher because that gets into legislation. If I understand the Comptroller General here and his deputy, Mr. Dodaro, they are going to work on that to make sure that doesn't get too large and doesn't get too repetitive. We did review the mandates every so many years and say are there things that were needed at one time and maybe we can go back to the committee and not have to provide that on a contention basis. So I think mandates to me is more of a concern than the other issue.

Mrs. BIGGERT. Thank you. Thank you, Mr. Chairman.

Mr. HORN. We are now delighted to have the ranking member, who has been with this committee over the years; and we are delighted that she can be here today, the gentlewoman from New York, Mrs. Maloney.

Mrs. MALONEY. I made a special point of being here when I heard that the Honorable Elmer Staats, who came here during the New Deal and watched us progress—it is a great honor to welcome you and Mr. Bowsher, with whom I worked when I first came to Congress, and now Mr. Walker and Mr. Ink.

Page 14 shows the number of your staff falling. I am all for reinventing government and being more productive, but you have to have enough people to get the job done. The last hearing I had in this committee, we had one from the McIntosh subcommittee which would have GAO doing a cost-benefit analysis on the private sector for any changes in bills or regulations. That is going to cause your workload to go much higher, and so my question really is a budgetary one. I would like to know how much is in your budget—and it hasn't gone through the appropriations process yet. What is the funding in the Senate? What is the funding in the House? Why is your personnel dropping?

With the new demands—I know that I put a lot of them on you, Mr. Dan Miller and myself from the Census Committee, we have been asking for all kinds of things. Do you have enough people to get the job done? I would like to understand your staffing.

I don't know if you have had a chance to review the McIntosh bill, and it appears to me that is going to require even a greater professional attention from your group.

I just want to use my 1 second here to congratulate the General Accounting Office. I think you do a fantastic job. You provide a service to the American people and to both sides of the aisle, an impartial, professional analysis so our decisionmaking is better. I think you are great.

But I would like you to comment on your own paperwork here and let us know where you are in the budget process. Why is your personnel falling?

Mr. WALKER. Mrs. Maloney, thank you for your kind comments. The Senate bill has us for a 2 percent increase over our current year appropriation level.

Mrs. MALONEY. How much is that?

Mr. WALKER. It is about $380 million.

The House bill has us for a 2.5 percent decrease over this year's budget. We are hopeful, with all due respect to the House, that the Senate number will prevail. We think that is critical in order for us——

Mrs. MALONEY. What is the dollar amount in the House?

Mr. WALKER. It is about 4.5 percent. It is about $15 million less, something like that.

Mrs. MALONEY. OK.

Mr. WALKER. I will be happy to provide those numbers for you. I think it may go to conference as quickly as this week.

With regard to staffing, the primary reason we have had a significant reduction in staffing is because of budget cuts over the 1990's. Eighty-four percent of our budget is for people. We don't have a whole lot of flexibility for that other 16 percent. There are certain things that you just have to pay for. It is critically important that we obtain budget stability.

With regard to the McIntosh proposal, clearly we are capable of doing that work, but one of the issues that we have raised is resources.

Mrs. MALONEY. Do you need more resources to do that work?

Mr. WALKER. Yes. The comparable bill in the Senate provides for supplemental resources for us to be able to do that work. We think that is important.

Mrs. MALONEY. How much more do you need to do that work?

Mr. WALKER. The Senate has provided $5 million for the amount of work that they are requesting that we do. The scope and timing are different, and obviously they have provided for a resource allocation, so resource only represents one difference regarding the specific numbers, the House mark is $379 million and the Senate mark is $387 million, for a difference of $16 million.

Mrs. MALONEY. Now, is that sufficient to do your work? Is that what you requested? Is that what was in the President's budget?

Mr. WALKER. No, that is not what we requested. We are in the legislative branch, and we requested $399 point something million. That is what we felt we needed. The Senate bill, obviously, is below that; and it is vastly superior to the House proposal. The House proposal notes if we impose another hiring freeze we could avoid another reduction in force. We had a virtual 5-year freeze in the 1990's. That served to mortgage the future. We cannot return to those ways.

Mrs. MALONEY. How is your turnover? Do you keep a professional staff? How is your staffing in terms of——

Mr. WALKER. It splits by level of experience. For individuals with 3 or more years of experience, we have very low turnover. It is about 4 percent a year. That includes retirement. But we have a big retirement bulge coming up. Younger, it is 15 to 18 percent; and obviously there are reasons for that. That is one of the reasons that we are trying to focus on human capital.

Mrs. MALONEY. Are you backlogged in your requests for analysis?

Mr. WALKER. Constantly—in some areas more than others. Health care, we are way oversubscribed in health care. Other areas, we don't have as large a backlog, and we are constantly trying to set priorities.

Mr. HORN. We now call on Mr. Ose, the gentleman from California, for 5 minutes.

Mr. OSE. Thank you, Mr. Chairman.

Mr. Walker, I am confused about something. You testified in your verbal testimony about access or problems accessing State and local records, and I went through your testimony trying to find the written reference, and I couldn't. I am trying to make sure that I understand your point there. Could you elaborate on that, please?

Mr. WALKER. Basically more and more of the work that we are being asked to do involves multiple government agencies, multiple levels of government and, as Mr. Staats mentioned, sometimes multiple national governments.

In addition, more and more work is involving both the public and private sector. For example, in the health care area, much of health care is provided by private sector parties, whereas HCFA is a financing mechanism. They don't provide the benefits.

My only point is that——

Mr. OSE. They don't provide the service?

Mr. WALKER. That is correct. They have a regulatory——

Mr. OSE. They pay for the benefits?

Mr. WALKER. Right, but they don't provide the service, etc.

My point is, if you look at our strategic plan going forward, we are going to be asked to do more things, not only with regard to existing government programs but proposed government programs, for example, prescription drugs for Medicare, that are going to involve us having to obtain access to records that we currently don't have the statutory authority to obtain. That is something that we need to work on. We don't have express statutory authority. Therefore, we have to rely upon cooperation.

On page 38 of the testimony—and I agree, I didn't elaborate significantly in the testimony—but the second from the last full paragraph provides just a few—a couple of examples that might be helpful.

Mr. OSE. I knew Mr. Dodaro would find it.

Mr. WALKER. That is why I did an executive summary.

Mr. OSE. Is it your concern that, in terms of GAO performing its statutory duty, when the delivery of the benefit is, if you will, block granted out, or whatever the appropriate phrase is, when that burden is placed on the local or State agency, the only way for GAO to make sure that those agencies at the State or local level are complying with Federal intent is to have access to the records?

Mr. WALKER. Well, I think in certain regards we will try to partner with the State auditors who clearly do have access, and we are trying to do that more and more, but there could be circumstances when we are not able to do that in that regard. I think we need to talk in more detail about what the nature and extent of our challenges are. But I see this as an emerging issue. I don't think it is critical right now but in the years ahead could become so.

Mr. OSE. I don't like chasing my tail, so my next question is, are you suggesting that we need to consider legislation now in anticipation of this challenge?

Mr. WALKER. I am suggesting that what we ought to do is have the staff for the committee, for the subcommittee, get together with our staff to explore this issue further to make sure that there is an understanding of the nature and extent and timing of the challenge, and while we may not need it today we may well need it in the not-too-distant future.

Mr. OSE. And you are saying current statutory authority does not give you the ability to obtain this information?

Mr. WALKER. That's correct. We can request it, and in many cases we are successful, but not in all.

Another example is, to the extent that you are talking about prescription drugs and to the extent that we are trying to analyze the cost of prescription drugs, the cost of prescription drugs through VA versus DOD versus Medicaid versus the Federal health plan versus other nonFederal payers, and trying to understand whether or not the Federal Government is getting the best price which it is supposed to get under certain contracts, it is tough to do that if you don't have access to records that are nonFederal payers.

Mr. OSE. Does GAO have the ability to subpoena such information?

Mr. WALKER. No, we do not. We do not at the present point in time.

Mr. OSE. Thank you, Mr. Chairman.

Mr. HORN. That is a very good question that you just asked, and that is one I was going to use. To what sense do you feel, now that you are in there a couple of years, that GAO sometimes does not really want to press the executive agency, feeling that they might not be given information, than other times? What can we do about that?

Mr. WALKER. One of the things that we are doing at GAO is we are looking at records access under current law. We do have certain statutory authorities right now. For example, I can issue as Comptroller General a demand letter which is very similar to a subpoena in its effect.

I have found over the years that many times we have had difficulties obtaining records from existing executive branch agencies where we do have the authority to obtain it and there is resistance to try to push them. We have implemented a process where that gets surfaced a lot quicker, and we make conscious decisions whether we are going to escalate it to higher levels within the respective department and agency and under what circumstances we would issue a demand letter.

I have already had personal conversations with either the secretary or deputy secretary of three Cabinet departments that were

reluctant to provide us information and provided it within a short timeframe after I got on the phone with them.

I don't like issuing demand letters. I think it should be a last resort. But we need to have mechanisms in place where we can get it within a reasonable period of time so we can meet our client's needs.

Mr. HORN. Looking at the Inspectors General and their role, do you feel they get the information when they do internal studies? Some of them are very critical, and I just wondered, do you feel that you are both being treated the same way or does the inspector general have an edge on GAO?

Mr. WALKER. Candidly, Mr. Chairman, I am not in a great position to answer that. I would need to outreach more on that specific area.

I will tell you that we are taking a number of steps to increase our coordination and cooperation with the inspector general community and the State and local audit community. Because, to me, where we can have the most value is cross governmental and intergovernmental areas as well as longer-range issues, and that requires more coordination, and so I will followup on that.

Mr. INK. Mr. Chairman, I think you will find that this varies considerably from agency to agency, in part because of different types of leadership. Some agencies have a better understanding of the role and the importance of providing this kind of information to GAO and inspectors general. Also, there is considerable difference among the inspectors general and how they use that information. Some of them use it more responsibly than others. I think the General Accounting Office is a much more stable organization, and resulting in more consistency in the way in which the agencies deal with the GAO.

Mr. WALKER. Mr. Chairman, I would agree. It is clear, based on my experience to date, that there is a significant difference between different offices of Inspector General and how they approach their work and whether or not they are likely to have problems.

I would like to add for the record, as you know, we have recently published some congressional protocols which are now in the trial stage where we set our priorities and note what our obligations are with regard to our client. We plan to do the same thing with regard to departments and agencies, and records access will be part of that as to what our policies will be with regard to that.

Mr. STAATS. I would like to comment on the access to records, Mr. Chairman.

It is true that agencies, unless they cooperate, can almost turn off your water. I think they have to have a feeling that you are dealing with them fairly and openly and giving them access to your draft reports and have an opportunity to present their own views alongside the GAO. If you do that, I don't think that you are going to have problems. But, legally, GAO can still take agencies into court to get access to records if they need them.

Mr. HORN. I am glad to hear that, because I think that is what they ought to do.

The gentleman from California, do you have any more questions?

Mr. OSE. Thank you, Mr. Chairman. I do have one on the issue.

As I move from being a young man to a confused middle-aged man, I have often wondered where is my path going to take me as I move into more senior years. If I look beyond my longer term in office, I am curious what the panel's perspective might be what GAO might evolve into?

Let me just construct a particular situation or scenario. With the advancement in information technology, there are people in my office who may very well have access to records they have never had access to before, and they may come to my office with training of a nature that might otherwise have previously qualified them to only work at GAO, in other words, a very refined set of qualifications. Twenty-five or 50 years from now, I would appreciate your perspective on what your view on what GAO might be—their role or status or construction, what have you?

Mr. WALKER. Let me take a shot, and I am sure my colleagues would like to add to that.

I think our role should be the same, but how we do our role will evolve. We are about maximizing government performance and accountability. I think we will do work on two sides, what government does and how government does business. I think technology clearly will play a major role.

But let me articulate why I think GAO is going to be more important in the years ahead. Right now, there is an absolute information overload. You can obtain information that would absolutely drown you. There are unlimited assertions on the Internet, and that is exactly what they are. They are assertions—unvalidated assertions. There is an infinite amount of information on the Internet.

On the other hand, what GAO does in a vast array of areas is to convert assertions and information into facts and knowledge such that Congress can make informed judgments about what government should do, what is working, what isn't and how it should be changed and how government should do business.

I believe today we are a multidisciplinary professional services organization. We are a wholly owned subsidiary of the Congress. We will have to do business differently, but I think we are going to be more important, and that is because more and more issues we have to address involve multiple skills and multiple governmental entities, multiple perspectives, and we can pull it all together.

Mr. OSE. Mr. Bowsher.

Mr. BOWSHER. I also believe that one of the great problems in government and has been for a number of years is the budget process. The budget systems are very antiquated and people hold back information thinking that it gives them power. In other words, I won't show you my numbers until later on and things like that. And that works all of the way.

I served as Assistant Secretary of the Navy for 4 years, I was the Chief Financial Officer of the Navy, and one of the problems was getting the information up through the system. I remember working with John Chafee and John Warner. They were the Secretary and Under Secretary. They couldn't believe how that information would get buried and then all of a sudden popped up, and the same in relation to the Congress.

I have always felt in this modern day and age of computers and communications that one of the things that government has to do is to modernize the budget and accounting system to the point that everybody can have the information on their PC and therefore get away from all of the waste of time that there is meetings, debating the numbers and also the waste of time for the auditors to sort it all out. So, in addition to what Dave is saying, which I think is right on the mark for GAO, I think one of the great things for government in total is this modernization of the Government and Accounting Act so the Federal Government looks like a modern corporation. They just don't spend that kind of time massaging all of the numbers that the government does.

Mr. WALKER. One quick point on that. One of the biggest challenges we face in the Nation is the fact that today—and CBO just came out at 9 this morning with a revised budget forecast which shows higher estimated surpluses for a longer period of time. But our budget simulations show that, because of known demographic trends, the fact that we have gone from 16 workers paying into Social Security to 1 in 1950 to 3.3 to 1 today, and we are going down to 2 to 1 by 2025, we are going to have renewed budget deficits as sure as the sun rises in the morning, especially if we end up spending the on-budget surplus, and it looks like that is going to happen sooner or later, a variety of different ways.

We need to look at our budgeting system so people can make more informed judgments about not just whether or not we can afford things today but can we afford it tomorrow because we have mortgaged the future. If we are not careful, we will reload the debt.

Mr. STAATS. One thing which would be helpful is getting the committees to more clearly articulate what they want in legislation. We would have to go back in committee reports and see what Congress intended to do. Sometimes the House had one idea and the Senate had a different idea. It is hard to evaluate a program unless you know what Congress intended.

Mr. OSE. Mr. Staats, the Senate is wrong in those situations.

Mr. STAATS. I remember in one case the committee said, if we had any idea what we were doing, we wouldn't have done it.

Mr. OSE. Mr. Ink.

Mr. INK. Being a non-GAO person, I won't try to predict where it will be 50 years from now.

Another handicap which has not been mentioned, however. GAO would be well served if it had a much stronger partner in OMB possessing more effective managerial component. A great deal of information can be shared back and forth, which is available now on only a very limited basis because the OMB has such a very limited management capacity to address broad problems.

When Mr. Staats was Comptroller General, we in Bureau of the Budger had conversations with him going on all the time. We had meetings going on all of the time. Remember, Elmer, we met with Senator Proxmire; and that is what led to the productivity program getting going. The real initiative came from Mr. Staats, the Comptroller General. I, representing the President, took the leadership in moving forward with implementing it. That degree of cooperation is very difficult today. The initiative of Mr. Horn for an office of management would be very helpful in that respect.

Mr. OSE. Thank you. Thank you, Mr. Chairman.

Mr. HORN. We thank you.

Let me thank the staff that have put this fine hearing together.

On my left, your right, J. Russell George, the staff director and chief counsel of the subcommittee. In back of him is Heather Bailey, professional staff member; Bonnie Heald, director of communications; Bryan Sisk, our clerk; Elizabeth Seong, staff assistant; Will Ackerly, a faithful intern; and Davidson Hulfish, a faithful intern. This is the summer, when we get free labor and bright people.

For minority staff, we have Trey Henderson, counsel, and Jean Gosa, minority clerk.

And Doreen Dotzler, the court reporter, who is getting an education in government sitting with this committee.

We thank you all, and we thank you all for coming. We are adjourned.

[Whereupon, at 12:03 p.m., the subcommittee was adjourned.]

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