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REMARKS OF  
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TO THE  
LEHIGH VALLEY CHAPTER  
OF THE  
NATIONAL ASSOCIATION OF ACCOUNTANTS

ON  
[GAO'S CHANGING AND EXPANDING ROLE]

FRIDAY, MAY 9, 1980

*really!*

It is always a pleasure to return here to the Lehigh Valley. As they say, "There is no place like home." It is particularly a pleasure to appear before you, ladies and gentlemen, to speak about the General Accounting Office, an organization with which I am proud to be affiliated. Proud, because I believe it is an organization which truly represents and looks after the public's interest.

*hell!*

For me to cover the entire history of our Office and discuss the many changes that have occurred--and there have been many--it would take perhaps all weekend. For those of you who may be interested, our complete history has been recorded in a recent book by Dr. Fredrick C. Mosher entitled "The GAO: The Quest for Accountability in American Government." This evening, however, I thought that I would just discuss some of the highlights of our Office's almost 60-year history in terms of its changing and expanding responsibilities. Later, I would be happy to answer any questions you may have.

The General Accounting Office--otherwise referred to as the Government Accounting Office, the Government's Watchdog Agency, and most commonly as the GAO--was established by the Budgeting and Accounting Act of 1921 to investigate all matters relating to the receipt, disbursement, and application of public funds.

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Congress recognized that our system of Government, with its separation of powers, needed an organization that could provide unbiased information about Executive Branch activities and expenditures. Thus, it established GAO as an independent, nonpartisan agency in the Legislative Branch of the Government.

To shield the GAO's objective and independent judgment from political influence, the Budget and Accounting Act provided for GAO's head, the Comptroller General, to be appointed for a 15-year period by the President subject to confirmation by the Senate. He then cannot be removed by the President nor by the Congress, except for cause. The present Comptroller General, Elmer B. Staats, may soon be only the second of five Comptroller's to complete his full term.

Over the past nearly 60 years, the needs of Congress have expanded enormously because of the increasing size and complexity of our Nation and Government. GAO has grown and changed accordingly to meet those needs. Despite its changing role, however, GAO's basic purposes have remained the same.

- To assist the Congress in its legislative and oversight responsibilities consistent with GAO's role as an independent, nonpartisan agency.
- To audit and evaluate the programs, activities and financial operations of Federal departments and agencies and make recommendations toward more efficient and effective operations.
- To carry out financial control and other functions with respect to Federal Government programs and operations, including accounting, legal and claims settlement work.

During its first approximately 25 years (1921-1945), GAO concentrated primarily on conducting centralized voucher audits and such activities as settling claims and rendering legal opinions on the disbursement of Government funds. During these years, the objectives of GAO's work were primarily to assure compliance with the letter of the law, conformance with form and procedures, accuracy of computation, and honesty. Lesser attention was given to the economy, efficiency, and effectiveness of Governmental operations.

To give you an idea of the types of activities and volumes of detail GAO was involved with during the first 25-30 years, by 1947 our Office audited 93,000 accounts, 5 million transportation vouchers, 1.5 million contracts, 260 million postal money orders, 57 million postal notes, and 26 million postal certificates.

The beginning of the transformation of GAO coincided approximately with the conclusion of World War II. The Government Corporation Control Act of 1945 directed GAO to audit Government corporations annually using commercial audit techniques. This type of auditing called for on-site rather than centralized audits, and for analyzing and testing internal checks and controls rather than conducting a detailed examination of all transactions. Further, GAO could not disallow the expenditures of Government corporations as it could with other Federal agencies.

The 1945 legislation was also a milestone that marked the general extension of on-site comprehensive auditing to all Federal agencies, a movement that was legislatively authorized by the Budget and Accounting Procedures Act of 1950. With the move toward comprehensive audits, GAO discontinued the maintenance of more than 500,000 Federal

agency ledger accounts and instead focused on reviewing agency procedures and controls. As a result of the 1950 Act, GAO also began prescribing accounting principles and standards for the various executive agencies.

While the 1945 and 1950 legislation helped bring about significant changes in its functions and methods (during the period 1945-1954), GAO continued to emphasize the mechanics of Government operations in its audits. That is, GAO's key focus was on whether agencies were operating in a legal and administratively efficient manner and not on whether agency programs were meeting their goals.

During the decade between the mid-50s and 60s (1954-1966), GAO increasingly emphasized the audits of defense expenditures, and particularly, audits of defense contracts with private companies and other organizations in the private sector. This was partly due to the enormous amounts of Federal monies being spent for defense purposes during the Cold World years. During this period, comprehensive auditing, as a substitute for voucher checking, became the rule in GAO. Greater reliance was placed on agencies developing and operating their own accounting systems. GAO, in turn, emphasized developing and prescribing standards for agency accounting systems and then reviewing them in place and approving or disapproving them. Increasing stress was placed on economy and efficiency in the application of funds with less stress on the strict legality of individual payments. More and more audits began emphasizing the need for materials and services purchased by agencies, the reasonableness of the prices they paid, and the effective use of agency resources. This was the beginning of the move toward management audits.

Since 1966, the beginning of the current Comptroller General's tenure, GAO has directed much of its attention to management audits or audits aimed

at evaluating program results. This concept of auditing looks beyond how a program works and addresses the question of whether it is accomplishing its objectives as established by Congress. It goes beyond asking the traditional questions: "Are funds being spent legally?" and "Is it possible to eliminate waste and inefficient use of public monies?" More importantly program results audits ask: "Are Federal programs achieving their objectives?" and "Are there other ways of accomplishing program objectives at a lower cost?"

While much of the emphasis on program evaluation was due to the background and experience of the Comptroller General himself, Congress, too, was growing concerned about the results of the programs it was legislating and funding. For example, in the Economic Opportunity Act Amendments of 1967, Congress included a requirement that GAO review and report on the effectiveness of the poverty programs authorized by the Act. This required a major program results review which led to a major report and over 50 supplementary reports.

While GAO has always had legal authority under the Budget and Accounting Act of 1921 to make program evaluations, Congress made it very clear, by passing the Legislation and Reorganization Act of 1970, that it wanted our Office to make such evaluations. The latter Act specifically required the Comptroller General to review and analyze the results of Government programs and activities, and to make cost/benefit studies. The Congress further amended GAO's responsibilities in this regard by passing the Congressional Budget and Impoundment Control Act of 1974. That Act strengthened GAO's program evaluation responsibilities by requiring it to

assist congressional committees in developing statements of legislative objectives and goals, and methods for assessing and reporting actual program performance. It also required GAO to assist committees in analyzing and assessing Federal agency program reviews and evaluation studies and to develop and recommend methods for review and evaluation of Government programs.

Since 1966, spurred by the desire of Congress for more information on and analyses of the programs it funds, GAO has increasingly emphasized making its work more useful and relevant for congressional needs. For example, the percentage of our professional staff time directed toward providing direct assistance to the Congress has grown from about 10 percent to 36 percent. Also, even though most of our work is self-initiated, it is still conducted to assist Congress. GAO's objectives cannot be separated from the needs of Congress for the information and advice it needs to carry out its legislative and oversight responsibilities.

To ensure that our work is most beneficial, we continuously try to determine congressional needs through daily contacts with its members and staffs. In this way, we can give them timely information for use in improving Government operations. Also, through our contacts, we often receive requests to perform work already started or even completed.

GAO's efforts to assist the Congress have taken various forms in recent years and its workload continues to grow. We assist Congress primarily by answering specific requests from congressional committees and members for audits or special studies. In fiscal year 1979, we

received about 1,500 such requests. We also provided almost 1,300 reports to congressional committees and members of which about 300 were addressed to Federal agency officials.

We assist the Congress by doing specific one-time studies. For example, the Panama Canal Act of 1979 required the Comptroller General to audit the financial transactions of the Panama Canal Commission, which is responsible for the maintenance and operation of the Canal and related facilities.

We assist the Congress by testimony at congressional hearings. For example, in fiscal year 1979, the Comptroller General and other GAO representatives testified before congressional committees on 188 occasions. This compares to only 22 in 1965. We also briefed congressional committees, members, and their staffs extensively on work of interest to them.

GAO also assists the Congress by assigning staff to congressional committees. For example, 85 GAO staff members were assigned to congressional committees and subcommittees in 1979.

Finally, we assist the Congress by providing legal opinions and commenting on legislative proposals. During fiscal year 1979, GAO provided 97 reports on pending bills.

To meet the growing needs of Congress, GAO's staff has grown from about 1,700 employees--mostly clerks--in 1921, to about 5,100 employees in 1979 of which about 4,100 were professional staff. Traditionally, GAO has hired professional staff with accounting, auditing, and law backgrounds. However, over the past several years it has expanded its expertise to evaluate increasingly complex Government programs. About 50 percent of our professional staff is now composed of other disciplines, such as engineers, economists, and computer specialists.

During fiscal year 1979, as a result of its audits, GAO had identified savings to the Government and the taxpayer of \$2.6 billion. Savings from management improvements, which cannot be accurately measured in terms of dollars, also resulted. In comparison, GAO's expenses in 1979 were about \$181.0 million.

So that we can respond quickly and efficiently to congressional needs, our staff members are located at the GAO headquarter's office and about 80 audit sites in the Washington, D.C. area. They are also located at 15 regional offices in the United States; and at 4 branch offices in Bangkok, Frankfurt, Honolulu, and Panama City. In fiscal year 1979 to give an example, GAO had approximately 1,300 audits underway around the world at any given time.

Federal agency programs and operations have grown so large that GAO cannot possibly audit all of them. We have neither sufficient staff nor funds. On the contrary, our budget in recent years has been cut consistent with efforts to reduce Federal spending. For the past several years, therefore, GAO has made major improvements in its organization and planning so it can better identify those National issues and key management problems likely to be of direct interest to the Congress or of such importance that they should be audited by GAO as an independent agency.

Until early 1972, GAO was organized primarily on a Federal agency basis. For example, there was a Defense Division responsible for the audit of all activities of the Department of Defense, a Civil Division responsible for the audit of all civil agencies, and an International Division responsible for the audit of international activities of all agencies.

In 1972, the Comptroller General reorganized GAO to accommodate its move to greater program and functional specialization. The reorganization, which was the first in over 15 years, yielded 12 divisions, each responsible for a specific function or programs. For example, we have a Procurement and Systems Acquisition Division charged with responsibility for evaluating Federal procurement policies and practices. Federal procurements each year run in the neighborhood of \$90 billion. By concentrating in one division the chief responsibility for activities pertaining to Federal procurement, we can do a much better job for the Congress and the taxpayer in reviewing and reporting on the conduct of these operations. Likewise, we have a Human Resources Division, which houses our Office's expertise on the Federal Government's health activities. The General Government Division, of which I am a part, is responsible for general Government activities, such as law enforcement, banking, and tax administration, the area for which I share responsibility.

The reorganization of 1972 has allowed GAO to cut across Federal organizational lines to address current pressing National issues and concerns while at the same time maintaining cognizance with specific Government agencies. It has proven useful in selecting interagency and Government-wide problems and issues for audit. It has enabled us to identify duplication of effort among agencies, inadequate coordination arrangements, conflicting approaches to similar goals, inadequately defined objectives, or obsolete programs.

While some refinements have been made in GAO's organization since 1972, it continues to reflect the philosophy of assigning Government-wide responsibility for particular programs and functions to individual

operating divisions, while at the same time retaining agency cognizance within these same divisions. For example, in January 1979, because of Congress' rising interest in the potential for fraud in Government programs, GAO created a Special Task Force for the Prevention of Fraud and Abuse. Also, just recently, GAO established an Institute for Program Evaluation to, among other things, perform assignments to demonstrate new or improved methodologies for GAO program evaluations.

The reorganization of 1972 later led to the creation of an issue area planning and programming system which has helped us to better insure that Government-wide issues of apparent National importance, or issues in which the Government has an obvious stake, are continuously identified and reviewed for audit coverage. GAO currently has 36 issue areas covering a broad spectrum of Government activities, including food, energy, environmental protection, and transportation. The number of issue areas, each of which are assigned to one of GAO's various operating divisions, is continuously growing. For example, until the early 1970s, little attention was given to the energy problem. Now we have a Division-- Energy and Minerals--of almost 200 persons devoted to that issue. Until late 1977, GAO had no authority to self-initiate audits in the tax administration area because of its lack of access to tax return information. Presently, we have a staff of about 36 making audits of the Internal Revenue Service's operations.

In addition to making broad organizational and planning changes to meet growing congressional demands, GAO has also made some recent changes in the way it manages and plans individual audits. In early 1978, we converted from a hierarchical approach to conducting audits to a

team approach. The latter approach insulates a staff so it can focus on one job and it reduces the number of supervisory and review levels, thus increasing timeliness and productivity. A little over a year ago, GAO instituted a new job planning system, known as the Project Planning and Management Approach. The approach is designed to assist team directors and team leaders in managing and controlling audits to produce timely and quality results with a minimum of resources. The planning approach has five consecutive phases (proposal, scoping, planning, implementation, and evaluation) and emphasizes evaluating the worth of an audit before it starts or proceeds to the next phase. It involves anticipating major unknowns and making key decisions before committing resources.

Yes, the role of GAO has changed and expanded. It will continue to do so as long as Congress continues to rely on GAO as its main source for objective oversight information. One thing is for certain. Our Nation will continue to be challenged by new problems and issues. To effectively assist Congress, GAO must meet those challenges. But, then, that is what makes our work interesting, satisfying and fun.

Thank you for your attention.