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# REPORT TO THE CONGRESS



## Comments On The Second Annual Report To Congress On Progress In Developing Standard Classifications And Standardized Information B-715398

Report of the Treasury and  
Office of Management and Budget

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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FEB. 7~~0~~, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-115398

To the President of the Senate and the  
Speaker of the House of Representatives

This report contains the comments of the General Accounting Office on the Secretary of the Treasury's and the Director of the Office of Management and Budget's report entitled "Second Annual Report to Congress on the Budgetary and Fiscal Data Processing System and Budget Standard Classifications." (See app. I.) That report is required by section 202(b) of the Legislative Reorganization Act of 1970 (84 Stat. 1140), which also provides for comments by this Office.

The act requires that an information system to serve all branches of the Government be established and maintained by the Department of the Treasury and the Office of Management and Budget in cooperation with the Comptroller General. The legislative history of the act contemplates that the Comptroller General will insure that the interests and needs of the Congress are considered in establishing and operating the information system.

In their second annual report to the Congress, the Department of the Treasury and the Office of Management and Budget indicated that their current plans for providing information to Congress would fall far short of what the Congress has told us are its needs. Specific comments to this effect in their report were that:

- They "are proceeding with most of the basic system improvement programs reported on September 1, 1971, which are required largely to meet urgent executive branch needs."
- They recognize that substantial additional resources must be applied to satisfy the congressional information requirements identified in our report of February 17, 1972 (revised Nov. 10, 1972), and now being defined in depth.
- They do not intend to apply resources to the task until detailed congressional information requirements are defined by the Congress and then it is "planned to be considered in the context of overall budgetary considerations."

We have determined the information needs of the Congress through a comprehensive survey of 258 persons representing 44 committees and 69 Members of Congress. We submitted a preliminary description of congressional needs to the Congress and the executive branch on February 17, 1972, for comment. The final results of the surveys, as revised to give effect to congressional comments, are described in our report on Budgetary and Fiscal Information Needs of the Congress (B-115398, Nov. 10, 1972). (See app. II.)

Since the initial survey we have continued to work with committee staffs to further define the details of the data required. The results of our current work will provide such specific requirements as those for standardization of budget and fiscal data which, when implemented, will facilitate tracking Federal programs from year to year and comparing similar programs and activities across agency lines.

Under the current plans of the executive branch, the information system will provide the Congress with data comparable to that currently being provided although possibly more rapidly by using automated techniques. The standard information will continue to be at a summary level on appropriations, functions, and subfunctions.

The system contemplated by the executive branch will not fulfill the information needs of the Congress. For example, the following information will not be readily obtainable:

- Consolidated information on similar programs and activities across agency lines.
- Information on program budgets and expenditures broken down by target group, rural and urban areas, other types of beneficiaries, and political subdivisions.
- Except for explicit cash payments, the cost of Government subsidies, such as loaning money at lower than prevailing interest rates.

Also existing statistical data from the Bureau of Census, Internal Revenue, Bureau of Labor Statistics, and others will not be structured for use in evaluating the effects of Federal programs on the economy in various geographical areas and on various target groups.

The Department of the Treasury and the Office of Management and Budget have indicated that they plan to do nothing further until congressional needs for information are spelled out in minute detail. The executive branch, we believe, could profitably begin developing a complete system using the work we have done to date, which documents and reports the general budgetary and fiscal information needs of the Congress. The executive branch could:

- Construct and follow a comprehensive plan for coordinated systems development for the entire project. Too many organizations are involved to be working without a plan and operating procedures for communication and coordination.
- Establish a full-time technical staff in the executive branch to coordinate the work. If the executive branch does not have a plan

and a technical staff to receive and act promptly on the requirements submitted to them, it will be many years before any significant progress can be made toward effectively satisfying the broad information needs of the Congress. Also, we believe that a full-time executive branch staff would make our work with the committees easier and faster.

--Conduct a preliminary assessment of existing information systems' capabilities to respond to the congressional needs from the information needs we provided last year so that plans for improving their systems could be developed. We believe this preliminary work could be conducted in parallel with our detailed definition of information requirements, to preclude unnecessary delay of this important undertaking.

--Our initial survey of the Congress identified the basic classifications needed to aggregate information for congressional use. These include Federal programs, political subdivisions, target groups or types of beneficiaries, and others. Task groups were formed to initiate work on these classifications in 1971 but met infrequently and, to date, have made no substantive progress. In our judgment, work on these classifications need not be deferred.

The development of Federal program classifications, a major undertaking, could be effectively coordinated with our current work. In assessing the information needs of the committees, we are focusing on the identification and classification of Federal programs for which basic financial information is needed.

We recognize that there are alternative approaches to providing this information to the Congress, and we feel that it would be very productive to have the technical staffs of the executive and legislative branches considering the feasibility of different approaches now.

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Through participation in hearings of the Joint Committee on Congressional Operations and periodic reports to the Congress and the Joint Committee, we have been keeping the Congress advised of our plans and progress. We will continue to discuss the implementation of the act with the appropriate executive branch officials and the involved committees to establish a plan and to get the resource commitments that would be more acceptable to the Congress. TWT 10300

We shall continue to report to you on the major activities and events concerning the implementation of title II of the act.

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Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of the Treasury.

Sincerely yours,

A handwritten signature in black ink, reading "James P. Stacks". The signature is written in a cursive style with a large, prominent initial "J".

Comptroller General  
of the United States



THE SECRETARY OF THE TREASURY  
WASHINGTON

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AUG 31 1972

Dear Mr. President:

In accordance with Section 202(b) of the Legislative Reorganization Act of 1970, we respectfully submit the second annual report on the performance of functions and duties imposed on the Office of Management and Budget and the Department of the Treasury by Sections 201 and 202 of this Act.

Sincerely yours,

Handwritten signature of George P. Shultz in cursive script.

George P. Shultz

Handwritten signature of Casper W. Weinberger in cursive script.  
Casper W. Weinberger  
Director, Office of Management  
and Budget

The Honorable  
Spiro T. Agnew  
President of the Senate  
Washington, D. C. 20510

Enclosure

SECOND ANNUAL REPORT TO CONGRESS  
ON THE  
BUDGETARY AND FISCAL DATA PROCESSING  
SYSTEM AND BUDGET STANDARD CLASSIFICATIONS

REQUIRED BY

THE LEGISLATIVE REORGANIZATION ACT  
OF 1970  
SECTION 202(b)  
P.L. 91-510

DEPARTMENT OF THE TREASURY  
AND THE  
OFFICE OF MANAGEMENT AND BUDGET

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SEPTEMBER 1, 1972

INTRODUCTION

This report is submitted in accordance with the "Legislative Reorganization Act of 1970," P.L. 91-510, Title II, Section 202(b) which requires the Secretary of the Treasury and the Director of the Office of Management and Budget to submit an annual report to both houses of Congress on or before September 1 of each year commencing with 1971, with respect to the performance of the functions and duties imposed on them by Sections 201 and 202(a). Each report is to include any comments the Comptroller General deems necessary or advisable.

Section 201 of the Act directs the "Secretary of the Treasury and the Director of the Office of Management and Budget, in cooperation with the Comptroller General of the United States," to "develop, establish, and maintain, insofar as practicable, for use by all Federal agencies, a standardized information and data processing system for budgetary and fiscal data."

Section 202(a) of the Act directs the "Secretary of the Treasury and the Director of the Office of Management and Budget, in cooperation with the Comptroller General," to "develop, establish, and maintain standard classifications of programs, activities, receipts, and expenditures of Federal agencies in order to meet the needs of the various branches of the Government;" and to be used in the data system under Section 201. "The initial classifications" were to "be established on or before December 31, 1971."

PROGRESS REPORT

The second year effort in implementing the provisions of Title II of the Legislative Reorganization Act of 1970 brought sharply into focus a basic problem in achieving the objectives of the Act: Namely, a more precise definition of congressional information requirements to be met by the standard system required by the Act.

The need of the Congress for improved information to discharge its legislative responsibilities is fully appreciated and understood, particularly in light of the increasing scope and complexity of Federal programs. Although there is an understanding of this need in broad terms, this need has not yet been translated into a specific statement of information requirements with the precision that is necessary for information systems design. Although some progress in that translation process has been made, a number of significant issues and problems remain to be resolved.

In the first annual report dated September 1, 1971, we described our plan for implementing the provisions of the Act. The plan was based on our initial perception of the legislative requirements and, in the absence of specific congressional guidance, reflected our belief that system development activities already underway within the OMB and the Treasury provided a sound base line for meeting those requirements. Further, the approach of building upon ongoing activities appeared to be the only practical way to meet the short legislative deadline of December 31, 1971 that was set for the establishment of the initial classifications.

The report of our first year activities, therefore, concentrated largely upon the progress being made by OMB and Treasury to continue their development of information systems to support program and fiscal decision making processes within the executive branch, to provide the Congress with improved information needed to meet its responsibilities and to keep the public better informed on Federal programs. In addition, it proposed the adoption of an approach of primary and secondary classifications for structuring information, and reported upon the organization of task forces to develop standard structures and coding schemes for Government programs, fund accounts, organizations, and special analytical needs.

As events during the second year unfolded, it became apparent that significant differences exist in the way that information needs of the Congress are perceived and interpreted. Substantial efforts have been expended in attempting to isolate and understand these differing perceptions and to reconcile them into a form that could provide the foundation for preparing an agreed-upon system development plan.

On February 17, 1972 the General Accounting Office issued a report on the budgetary and fiscal information needs of the Congress to ensure that these needs would be taken into consideration by the OMB and the Treasury in the development of their systems. The GAO's report described a wide range of information requirements covering Federal programs and projects, Federal fiscal policies and Federal financial actions affecting States and political subdivisions. The report also called for a variety of reporting capabilities, ranging from annual reporting to immediate access through computer terminals. During the hearings of the Joint Committee on Congressional Operations in March 1972, on the implementation of the Act, the Comptroller General stated that substantial further definition of these requirements would be necessary and that more detailed specifications would be developed within the succeeding 18 to 24 months as a basis for producing a long range plan for implementing the required systems.

An analysis of the information requirements contained in the February 17, 1972 GAO report made it apparent that the scope of the system as envisaged by the Congress is substantially larger, and the level of information much more detailed, than that initially perceived by the OMB and the Treasury. These differences raised a number of questions concerning the basic implementation plan which had been described in our report to the Congress in September 1971.

In response to questions raised during the March 1972 hearings of the Joint Committee on Congressional Operations, the OMB reported in May 1972 that a number of issues needed to be resolved before OMB could determine whether modifications of its implementation plan would be necessary and whether major redesigns of the systems in being or under

## APPENDIX I

development were required in order to satisfy congressional needs. Included among these issues, in brief, are the following:

- What is the relationship between the requirements of the LRA as outlined in the February 1972 GAO Report and other extensive existing congressional reporting requirements, many of which are required by statute.
- Is the system perceived by the Congress intended to supersede, supplement, or be additive to existing systems.
- To what extent does the Congress expect the information to have an accounting base beyond that previously proposed by OMB and Treasury.
- What, more precisely, are the specific use patterns in which the Congress wants to have information classified and aggregated, and at what levels of detail.
- In view of the magnitude of the effort that would be required to address the wide range of congressional needs, and to meet the most crucial needs at the earliest possible date, what sense of priorities should govern the effort to fulfill these needs.

Underlying these issues is the recognition that a vast and complex base of classification structures and information systems is now in existence, and that changes to those systems could be costly and disruptive to present processes and should therefore be approached cautiously and on an evolutionary basis.

The continuing activities of the Joint Committee on Congressional Operations, the General Accounting Office and the OMB-Treasury-GAO Steering Group are expected to make further progress in examining, clarifying and resolving these issues. Until these efforts clearly point to new and different directions from those currently being pursued, we are proceeding with most of the basic system improvement programs reported on September 1, 1971 which are required largely to meet urgent executive branch needs. In the past twelve months:

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- New administrative processes were established which have enabled OMB to respond with much greater effectiveness to congressional requests for information.
- Initial classifications required by Section 202 of the Legislative Reorganization Act were submitted to the Congress on February 1, 1972.
- The initial functional classification presented to the Congress is being reviewed by an OMB Task Force. Recommended changes to this structure are due in the spring of 1973 and may be the basis for possible changes in the presentation of the Fiscal Year 1975 budget.
- A proposed classification structure for fund accounts was completed by a Task Force and concurred in by the Steering Group.
- A proposed classification structure for Government organizations, which is in alignment with the proposed fund account classifications structure, was completed by a Task Force and concurred in by the Steering Group.
- A Task Force was established and is now developing a plan for implementing the proposed Government organization and fund account classification structure for use in existing budget preparation, accounting and reporting systems on a Government-wide basis.
- The Budget Preparation System was refined and used to assist in the preparation of the FY 1973 budget. A magnetic tape version of the system's master file was provided to the Joint Committee on Congressional Operations.
- The Prototype Rolling Budget System was used on a pilot test basis by selected OMB program divisions to prepare the FY 1973 budget and as support to the FY 1974 spring planning review.
- The Legislative Tracking System is in its second year of operation and was refined to reflect the experiences gained from operational use. Its capacity was expanded from 1,000 to 1,500 bills. Special summary status reports on key bills were initiated.

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- ° The 1971 Catalog of Federal Domestic Assistance was updated in October 1971 and the 1972 edition of the Catalog was issued in May 1972. Catalog information will be made available to the public in machine readable form. A magnetic tape containing the Catalog information was provided to the Joint Committee on Congressional Operations.
- ° Computer produced summary information on 42,000 grants reported under the provisions of the Intergovernmental Cooperation Act of 1968 and OMB Circular A-98 was made available to all States for the first time.
- ° A detailed plan for the development of a Regional Information System to support Federal Regional Councils was completed and is now being implemented.
- ° The Program Performance Management System was made operational in four program areas - narcotic supply, narcotic demand, corrections, and minority business employment - involving 14 agencies. Implementation in an additional six program areas involving 16 agencies is underway.
- ° Some changes were made in reports published by the Treasury; however primary attention was devoted to (1) a revised format for the next annual Combined Statement of Receipts, Expenditures and Balances of the United States Government, (2) planning for further automation, and (3) efforts to accelerate publication dates within the present limits of agency reporting capability.

In view of the issues that have arisen during the past year, it appears that the current system development plan and activities reported above will not satisfy the congressional requirements now being developed. If a significant change or expansion from the present course of action is necessary, or if a requirement for independent systems is indicated, substantial additional resources will need to be applied to the task. As these needs are clarified through the resolution of the outstanding issues, the related resource requirements are planned to be considered in the context of overall budgetary considerations and, as appropriate, included in future appropriation requests.

Comptroller General Comments

Section 202(b) states that "Each such report shall include such comments of the Comptroller General as he deems necessary or advisable."

The General Accounting Office has advised us that if the Comptroller General has any comments on this report, they will be transmitted separately.

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## APPENDIX II

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

BUDGETARY AND FISCAL  
INFORMATION NEEDS OF THE CONGRESS  
B-115398

### D I G E S T

#### WHY THE SURVEY WAS MADE

The Legislative Reorganization Act of 1970 requires the Office of Management and Budget and the Department of the Treasury to develop standard classifications of programs, activities, receipts, and expenditures of Federal agencies and a standardized information and data processing system for budgetary and fiscal data.

The Comptroller General is required to insure that the interests and needs of the Congress are taken into consideration in the establishment and operation of the information system.

To ascertain the kinds of information the Congress needs, the General Accounting Office (GAO) conducted a survey of 258 persons representing 44 committees and 69 members of Congress.

The results of the survey were described in a report which was sent to all committees and members of Congress on February 17, 1972, for their review and comment.

This is a revised report incorporating the additional needs identified by committees and members of Congress.

#### RESULTS OF THE SURVEY

The Congress needs to easily obtain information on:

- Federal programs and projects: Basic financial information, such as on budget requests, authorizations, appropriations, obligations, expenditures, and information essential to the assessment of results and impacts. (See p. 9.)
- Federal fiscal policies: Socio-economic information and national estimates, such as gross national product, consumer income, and cost-of-living indices; Federal subsidy programs; tax expenditures; and foreign currency holdings; and other information indicating impact. (See p. 12.)
- Federal financial actions affecting States and political subdivisions: Information on revenues, outlays, domestic assistance programs, and other information essential to the assessment of results and impacts related to States and their political subdivisions. (See p. 16.)
- Classification structures for aggregating budgetary and fiscal information: The above categories

NOV. 10, 1972

of financial information must be aggregated, accumulated, or summarized by such congressional user patterns as authorizing and appropriating legislation, committee jurisdictions, responsible Federal organizations, program objectives or subject areas, political subdivisions, rural and urban areas, and target groups. (See p. 18.)

The Congress needs a wide range of reporting capabilities, ranging from annual reporting to immediate access through computer terminals. The Congress also needs to be able to identify and reach primary sources of information, as well as sources of additional pertinent information. The Congress needs further a readily accessible analytical capability. (See p. 9.)

GAO PLANS

GAO has initiated further interviews of congressional staffs regarding their specific data requirements within the broad areas of needs defined so far. These requirements will be systematically documented and communicated to the executive branch for their use in system development or modification. GAO will maintain close contact with the committees and the execu-

tive branch during the systems development or modification.

GAO recognizes that, because the scope of the information needs is very broad, the development of standard classifications and a standard information and data processing system to serve the executive and legislative branches is a major, long-term project and requires the cooperation and coordination of all elements of the Federal Government. Accordingly GAO has created a permanent, full-time staff that will continue until the system is functioning satisfactorily.

MATTERS FOR CONSIDERATION  
BY THE CONGRESS

Copies of this report are being sent to all committees and members of Congress

- to inform them of GAO's description of information needs and
- to advise them of GAO plans for continuing work with the committees and members to document their detailed data requirements for each of the general information needs described in this report.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is \$1.00 a copy. Orders should be accompanied by cash or check.