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EXECUTIVE LEVEL POSITIONS—GAO

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SUBCOMMITTEE ON POWER AND CIVIL SERVICE OF THE COMMITTEE ON OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 9442

A BILL TO AUTHORIZE COMPENSATION FOR FIVE GENERAL
ACCOUNTING OFFICE POSITIONS AT RATES NOT TO EXCEED
THE RATE FOR EXECUTIVE SCHEDULE LEVEL IV

JULY 8, 1971

Serial No. 92-9

Printed for the use of the
Committee on Post Office and Civil Service



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IN THE HOUSE OF REPRESENTATIVES

January 25, 1971

Mr. Dwyer (for himself and Mr. Hargrove) introduced the following bill;
which was referred to the Committee on Post Office and Civil Service

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92^D CONGRESS
1ST SESSION

H. R. 9442

IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 1971

Mr. DULSKI (for himself and Mr. HENDERSON) introduced the following bill;
which was referred to the Committee on Post Office and Civil Service

A BILL

To authorize compensation for five General Accounting Office positions at rates not to exceed the rate for Executive Schedule Level IV.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled;

That section 203 of the Federal Legislative Salary Act of 1964 (78 Stat. 415; Public Law 88-426) is amended by the addition thereto of the following subsection:

“(i) The Comptroller General may fix the compensation for five positions in the General Accounting Office at rates not to exceed that prescribed, from time to time, for level IV of the Executive Schedule under section 5315 of title 5, United States Code, when he considers such action necessary because of changes in the organization, management responsibilities, or workload of the Office.”.

EXECUTIVE LEVEL POSITIONS—GAO

THURSDAY, JULY 8, 1971

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MANPOWER AND CIVIL SERVICE
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m. in room 219, Cannon House Office Building, Hon. David N. Henderson (chairman) presiding.

Mr. HENDERSON. The subcommittee will come to order.

We are meeting today to consider H.R. 9442, introduced by our committee chairman, Hon. Thaddeus J. Dulski, on June 28, 1971.

H.R. 9442 would grant the Comptroller General of the United States authority to place up to five positions in the General Accounting Office that would carry compensations not to exceed level IV of the executive pay schedule.

Level IV positions of the executive schedule currently have an annual base pay of \$38,000 and include such positions as Under Secretaries of the Army, Navy, and Air Force; Assistant Secretaries of State; General Counsel of the Department of Defense; Solicitor of the Department of Labor; and members of the Federal Communications Commission.

Level V positions of the executive schedule currently pay \$36,000 annually and include such positions as Administrator, Agriculture Marketing Service, Department of Agriculture; Assistant Secretary of Treasury for Administration; and Director, Bureau of Census, Department of Commerce.

We are pleased to have the Comptroller General of the United States, Gen. Elmer Staats, and the Assistant Comptroller General, Hon. Robert F. Keller.

Gentlemen, it is always a pleasure to have you appear before the subcommittee. I never miss an opportunity to express the appreciation of the very fine assistance that your office has given this subcommittee and the full committee.

Gentlemen, I am sure that you will recall that early this year Chairman Dulski and Mr. Gross, the now ranking minority member, and I had the opportunity to meet with you at your office in a session that was most helpful to us.

On that occasion the subject that we have this morning was mentioned and I certainly would like the record to show that, in addition to the introduction of the bill by Mr. Dulski, he is enthusiastically supporting the measure and that Mr. Gross called this morning expressing his regret that he couldn't be here to express personally to you his interest in the legislation.

We will be delighted to hear from you now.

**STATEMENT OF HON. ELMER B. STAATS, COMPTROLLER GENERAL
OF THE UNITED STATES, ACCOMPANIED BY HON. ROBERT F.
KELLER, ASSISTANT COMPTROLLER GENERAL OF THE UNITED
STATES**

Mr. STAATS. Thank you very much, Mr. Chairman. We do appreciate the opportunity to be here this morning to discuss with you why we feel that it is important that this legislation be approved from the standpoint of the GAO and we believe in the broader interest of the Congress.

The General Accounting Office was established in 1921 and we are celebrating our 50th anniversary this year. The chairman of the committee was very gracious in inserting into the record a good statement with respect to the role that our office has played in working with your committee.

At the time the General Accounting Office was established in 1921 two positions were created: the Comptroller General of the United States and the Assistant Comptroller General of the United States; and only these positions were authorized salaries in excess of the civil service rates.

No change was made until 1961 when Congress authorized the compensation of the General Counsel of the General Accounting Office to be at level IV of the executive pay schedule. Consequently, other than these three positions there is no authority at the present time to pay any official of the Office above the grade GS-18.

The work of the General Accounting Office has, of course, greatly expanded and changed since 1921. As the Federal Government has become increasingly engaged in new and complex programs, the Office has changed in its method of operation, the scope of its work, and the makeup of its staff. We now have a highly qualified professional staff of nearly 3,000 persons engaged in accounting and auditing, overall financial management, program evaluation, legal interpretations and analyses, systems analyses, and other areas of specialization.

We have continually increased our assistance to Congress in two ways for the central purpose of improving the management of Federal programs and operations. First, by providing assistance to congressional committees and members to the extent that nearly one-fifth of our professional staff support the needs of Congress in meeting its responsibilities of legislative oversight.

And I will interpose here, Mr. Chairman, to say that this represents more than a threefold increase in the last 4 years. In 1969, for example, we had 204 reports to its Members and committees. In the 1970 fiscal year this increased to 321 reports. In the fiscal year 1971 we issued 287 reports, but had on hand July 1, 202 requests on which our staff was doing work.

We think the importance of this cannot be minimized because we foresee this as a growing area of workload as far as our office is concerned.

We commented last year on some 500 pieces on legislation to the Congress on the Office of Management and Budget; and we have been testifying a great deal. I testified last fiscal year 27 separate times my-

self and other members of our staff testified 22 times or 49 times altogether.

The second area of increase is work that we do on our own initiative, the number of reviews designed to evaluate the effectiveness of Federal programs in achieving the objectives intended by Congress. Last year we presented something over 200 reports to the Congress which we initiated ourselves.

Congress each year has by legislation given the General Accounting Office additional responsibilities. Of particular significance is the recently enacted Legislative Reorganization Act of 1970. The general purpose of certain sections of this act is to provide for even more use of the General Accounting Office as an arm of Congress in examining and analyzing the management of existing Federal programs and further increasing our staff assistance to the committees during their consideration of proposals for new or revised Federal programs.

Section 204 of the act directs the Comptroller General to review and analyze the results of Government programs and activities carried out under the existing law, including the making of cost-benefit studies, when ordered by either House of Congress, or upon his own initiative, or when requested by any committee of the House or Senate, or joint committee of Congress, having jurisdiction over such programs and activities.

This section also directs the Comptroller General to have available in the General Accounting Office employees who are expert in analyzing and conducting cost-benefit studies of Government programs. On request, these employees are to assist committees in analyzing cost benefit studies furnished by Federal agencies or conducting cost-benefit studies of programs under their jurisdiction.

Section 231 directs the Comptroller General, at the request of any committee or committee staff, to explain and discuss any report made by the General Accounting Office which would assist in consideration of proposed legislation, including requests for appropriations, or in its review of any program or operation of any Federal agency within its jurisdiction.

These provisions of the Legislative Reorganization Act of 1970 will increase the assistance requested by congressional committees for reviews of existing Federal programs and activities and on proposed legislation. Other provisions also will result in increased assistance to the Congress, such as section 201 which requires the Comptroller General to cooperate with the Secretary of the Treasury and the Director, Office of Management and Budget, in developing, establishing, and maintaining a standardized information and data processing system for budgeting and financial data.

We expect that two other significant legislative actions will continue to impact directly or indirectly on GAO work. These are the establishment of the Cost Accounting Standards Board, chaired by the Comptroller General, and the establishment of the Commission on Government Procurement of which the Comptroller General is a member.

Ten GAO staff members are presently assigned full time to the Procurement Commission which was directed to study the statutes, policies, and practices followed by executive agencies in procuring facilities, material, and services.

I would like to say at this point, Mr. Chairman, that one of the things we foreseen almost certainly developing from this Procurement Commission is that there would be a number of areas the Commission will not have time to deal with fully where our office will be the logical point to followup and make additional studies.

We are also making studies on our own which we are making directly available to this Commission. One such issue, for example, is whether the Government should be a self-insurer or whether it should obtain its insurance commercially. We find different agencies follow different practices and some indeed carry no insurance.

We are doing a study of this on our own which will be of use to the Commission. The Commission, as you probably know, has recently been extended to the end of 1972. We anticipate a great deal of follow-up work in this area.

And indeed one of the areas that we are considering today, is the possibility that we will need to establish a separate division or organizational unit within the GAO concerned with the procurement subject generally in the Federal Government. The Government today is spending about \$55 million on procurement and that includes Defense, NASA, GSA, and all the agencies.

To continue, a number of recent legislative acts provide for work by the General Accounting Office. For example, Public Law 91-599, which authorizes U.S. participation in increases in the resources of certain international financial institutions, requires an audit of the administrative expenses of the Exchange Stabilization Fund by the General Accounting Office.

Other legislation which increases Federal program levels or creates new programs will require expansion of GAO's auditing and review activities. Public Law 91-230, for example, expands programs of assistance for elementary and secondary education and includes GAO access to records provisions as do the Occupational Safety and Health Act of 1970, the Clean Air Amendments of 1970, the Housing and Urban Development Act of 1970, the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970, the Intergovernmental Personnel Act of 1970, and the Emergency Rail Services Act of 1970, to name just a few.

What we are saying here is that every time the Congress enacts new legislation which provides for GAO audit, it just increases our responsibilities that much more.

A provision of the Armed Forces appropriation authorization in 1970 directed us to make a study of profits made by contractors and subcontractors under Defense and certain other Government contracts for which there was no formally advertised competitive bidding. Our report on this extensive study was released on March 17. We expect, however, that followup work in this general area will be required.

In order to adequately carry out our broad responsibilities and duties, we think it is essential that we be given authority to have up to five positions in the General Accounting Office which would carry compensation not to exceed level IV of the executive schedule. These positions would not be statutory in the sense that they would have titles and responsibilities prescribed by law but the Comptroller General would be authorized to have five positions at compensation not to ex-

ceed level IV whenever he found it necessary to do so to meet the needs of the expanding work load and responsibilities of the office.

There is precedent for this type of authority. The Congress in not disapproving reorganization plan No. 2 of 1970 authorized six additional positions for the new Office of Management and Budget, a somewhat comparable but much smaller organization than the General Accounting Office, to be compensated at level V of the executive schedule without specifying the duties to be performed with the result that the Office of Management and Budget now has 13 executive schedule positions.

If Congress approves our request, our comparable total to the 13 would be eight. We would have eight as against the Office of Management and Budget's 13.

In terms of total size, in 1971 the Office of Management and Budget has some 657 positions as compared to 4,869 in the GAO.

If H.R. 9442 is favorably considered, the General Accounting Office would have authority for eight executive schedule positions.

I have made several recent changes in the internal organization of the GAO and have others currently under consideration. Availability of these additional positions would be of very considerable help in carrying out these organizational improvements.

Mr. Chairman, this is not a new thought with us. We have been trying to do more by way of longer-range planning of our organization and our program in looking to the kinds of problems that we foresee we would be faced with in the period ahead.

Today, over \$22 billion of Federal money goes into health programs. We have to take areas of this kind into account in our long-range planning and this affects our internal organization. And as this work load increases Mr. Keller and I are going to have to develop additional top-level people.

We have made two changes within our organization in the last couple of weeks and we have a committee of which Mr. Keller is chairman, which is looking at how we should make further organizational changes. As of today we can see the need for clearly three positions and possibly four.

We are constantly faced also with the Congress adding to the responsibilities of our office. There is pending today in the House a Lobby Disclosure Act which would give the GAO the responsibility for monitorship. Similarly, in both the House and Senate, there is legislation pending which would give the GAO responsibility for the monitoring of campaign expenditures.

This afternoon I am going to be testifying before the House Foreign Affairs Committee on a bill which would give the GAO the responsibility for certifying whether a foreign government is adequately taking measures to control narcotics. And the proposal is that the GAO would make a finding and if its finding was negative our foreign assistance would automatically be terminated for that country.

We are opposed to that legislation because we do not think it is feasible from the standpoint of our office. But I cite these three simply as illustrations of a number of proposals that are coming up from time to time which would give our office additional responsibilities.

So we are trying to look ahead 3 and 5 years. We clearly see the need for a minimum of five positions of this type in addition to the ones which we now have. So I think that pretty well states our need, Mr. Chairman.

We would be happy to answer any questions you might have.

Mr. HENDERSON. Thank you very much, General Staats, and I commend you on your statement. It is right to the point as I see it.

I certainly am impressed with the acts that you cite on page 4. Among those that are listed there I would point out that the Intergovernmental Personnel Act of 1970 certainly is a matter of great interest to our subcommittee and I am sure to the members of the full committee. We want you to stay on top of that and be able to assist in the implementation and to advise us how it is working.

I would like to ask—and I think Mr. Johnson and Mr. Mills would agree with me that each of the members of our full committee would be interested in having at the time the bill is considered before the full committee a statement of your views with regard to your responsibilities of the new Postal Service that has come into being on July 1.

It may not lend very much to your request here but I feel sure that we might be faced with that question as we present H.R. 9442 to the committee. It occurred to me that you have an increased responsibility, certainly a changing responsibility, in this area, and our committee members are very concerned about the new Postal Service. They want to know how it would be implemented, and what part GAO would play on this.

If you would like to speak just briefly to this, I certainly would ask unanimous consent that you be permitted to revise and extend the statement that you would like for us to present to the committee.

Mr. STAATS. I would like just to make a general statement, Mr. Chairman, with respect to our responsibilities under the new Postal Service Corporation and perhaps it would be useful then if we could supply for the record a listing or brief description of the various reviews that we have underway in that agency.

No. 1, as you know, we are required under the law to approve the valuation of assets and liabilities of the Postal Service Corporation. We are working closely with the public accounting organization that the Postal Service has hired and with the Post Office financial people. Then we will review their findings in carrying out our approval responsibilities.

This is going to take quite some time and it is of great importance because the Postal Service does plan to issue bonds in the market later this year if they can meet their schedules. That is No. 1.

No. 2 is as far as the audit responsibility generally is concerned, we will have the same responsibility that we have had with respect to the Post Office Department. Our general audit responsibilities as far as it goes to how well they are managing their program, how effective their program is, is the same as it was before. We do have these changes—we will no longer approve the accounting system as we do in other agencies and as we did in the Post Office Department, and we will no longer have the responsibility for settling its accounts.

Other than that, I think that our interest is going to be at least as much with respect to U.S. Postal Service as it has been in the past, and

probably more so because we foresee a lot of new problems and we foresee a lot of interest in the Congress as to how this new arrangement is going to actually work out.

I would be happy to furnish for the record a statement of what we are currently doing. As you know, we did appear before the full committee in March.

Mr. HENDERSON. If you would do that, I think it would be helpful for us to include it in the record and certainly we can be responsive to any inquiries.

(The following response was furnished for the record:)

ROLE AND RESPONSIBILITIES OF THE UNITED STATES GENERAL ACCOUNTING
OFFICE FOR REVIEWING POSTAL SERVICE ACTIVITIES AND OPERATIONS

With the enactment of the Postal Reorganization Act which was approved on August 12, 1970 (P.L. 91-375), and became fully effective on July 1, 1971, the GAO relationship with the postal establishment has been significantly altered. In effect, this law negated GAO's prior authorities and responsibilities, both under general legislative provision and those specifically applicable to the Post Office Department. The general legislative provisions were rendered inapplicable to the new Postal Service by section 410 of the act which provides that, with some exceptions not pertinent here,

"* * * except as otherwise provided in this title or insofar as such laws remain in force as rules or regulations of the Postal Service, no Federal law dealing with public or Federal contracts, property, works, officers, employees, budgets, or funds, including the provisions of chapters 5 and 7 of title 5, shall apply to the exercise of the powers of the Postal Service."

Those legislative provisions which had previously given GAO specific responsibilities with respect to the Post Office Department were also repealed.

GAO will no longer be responsible for approving the Postal Service's accounting system, granting relief to accountable officers for shortages in their accounts, settling claims for or against the Postal Service and ruling on most bid protests filed by contractors.

GAO's relationship with the new Postal Service will be based upon two provisions in the Postal Reorganization Act. Section 2002 of that act provides in part that:

"* * * The value of assets and the amount of liabilities transferred to the Postal Service upon the commencement of operations of the Postal Service shall be determined by the Postal Service subject to the approval of the Comptroller General* * *"

This provision places upon GAO a very specific and important responsibility.

The value of assets recorded on the books of the Postal Service will be an important factor in determining the amount of depreciation costs which, in turn, will have an effect on postal rates and fees.

Section 2008 of the act provides, in part, that:

"The accounts and operations of the Postal Service shall be audited by the Comptroller General and reports thereon made to the Congress to the extent and at such times as he may determine."

This provision gives GAO rather broad authority and responsibility to review not only the financial transactions of the Service but also the entire effort put forth by the Service to fulfill its mission. It also gives GAO broad discretionary powers to select for review those areas in which GAO can make a significant contribution.

GAO will also continue to give such assistance to the Congress and its committees with respect to the new Postal Service as it may be called upon to provide.

The following is a brief description of how GAO sees its role and the approach GAO proposes to follow in carrying out its audit responsibility. Also presented is a summary of some of GAO's recent reports to the Congress on postal operations and activities, which illustrate to a degree the types of reports GAO will be making to the Congress in the future.

Section 2008 of the Postal Reorganization Act, in addition to authorizing GAO to audit the accounts and operations of the Postal Service, contains

other provisions relating to audit. Subsection (b) requires that the Postal Service maintain an adequate internal audit of the financial transactions of the Postal Service; subsection (d), in effect, authorizes the Postal Service to obtain audits of its accounts by certified public accounting firms; and finally, subsection (e) requires that beginning with the fiscal year commencing after June 30, 1971, the Postal Service obtain an opinion from an independent certified public accounting firm on any financial statements of the Service used in determining and establishing postal rates.

The authorities and requirements for audit contained in these provisions properly place upon the Postal Service the responsibility for assuring the integrity of its financial transactions and of its statements of financial conditions and operations. GAO will keep abreast of the manner in which these authorities and responsibilities are implemented by the Postal Service. GAO will work with its internal audit organization and with its outside auditors, to the extent appropriate, and in carrying out GAO's audit work will give consideration to the adequacy of the audits performed by them.

In addition, in the area of financial auditing, GAO will continue to audit, on a centralized basis, transportation charges to the Postal Service as we do for the Federal Government generally. This function will be performed on a reimbursable basis under agreement between GAO and the Postal Service.

Beyond the strictly financial audit activities, section 2008 of the act gives GAO broad authority to examine into postal operations and activities generally.

The Service remains a public service institution charged with responsibility to provide reliable and efficient postal service to patrons in all communities. Its operations will continue to have large financial dimensions and to affect virtually all the citizens and enterprises in the Nation. Therefore, Congress retains a strong continuing interest in the Postal Service and has, of course, retained the power to alter, amend, or repeal any or all sections of the act under which the Service is established. Accordingly, GAO intends to continue with its previous practice of examining selected postal operations and activities and reporting thereon to the Congress.

GAO's audit coverage of postal activities is planned with two major considerations in mind—the interest of the Congress and the benefit to the Postal Service and to the public.

As in the past, to maximize the benefits resulting from our work, GAO will concentrate its efforts in those areas of postal operations and activities which seem to have the greatest potential for improvement. Various factors influence the judgment in selecting an area for review including indications of congressional interest, the financial significance of the area, and indications of weaknesses in its management.

The types of reviews we make can be categorized as (1) management efficiency reviews—studies of management's utilization of resources, and (2) program reviews—studies dealing with the extent program objectives are being achieved.

GAO's recent efforts have been concerned primarily with evaluating management systems for assuring the assessment and collection of appropriate revenues for postal services rendered and management's efficiency in utilizing resources.

For example, in a May 1970 report to the Congress, GAO stated that the Department did not recover the full costs of providing address correction service.

In September 1970 GAO issued a report to the Congress in which it noted the need for better controls over the assessment and collection of postage for second-class mail because certain publishers were charged a postal rate lower than that to which they were entitled.

In an October 1970 report to a member of Congress, which was subsequently released to the public, GAO stated that the Department had exceeded its legal authority in its use of emergency contracts for air taxi service to transport mail; that a number of contracts were awarded without obtaining formal competitive bids; and that questionable contract rate increases were granted because the Department did not have adequate procedures for evaluating rate increases requested by the contractors.

In December 1970, GAO reported to the Congress that maintenance costs on certain post office equipment could be reduced, without adversely affecting the operation of the equipment, by reducing the frequency of certain routine preventive maintenance and by reducing the time prescribed for performing such maintenance.

In March 1971, GAO reported to the Congress that the Department incurred additional costs to detect and collect postage due on mail with insufficient postage, and did not recover these costs from postal patrons contrary to law. GAO also reported that the absence of an ineffective policy to prescribe the methods and responsibilities for detecting mail with insufficient postage had contributed to revenue losses.

In May 1971, GAO reported to the Congress that the Department had not made the best use of its manpower and machinery in processing mail. GAO made recommendations designed to improve the effectiveness and efficiency of mail processing operations, including a recommendation that the Department expedite its study of a possible priority and nonpriority classification system for first-class mail.

In July 1971, GAO reported to the Congress that the Postal Service was installing an automated management information system nationwide—called the Postal Source Data System—without adequate study and sufficient testing. As a result, substantial cost overruns and delays in system implementation have occurred. GAO recommended that the Postal Service perform a comprehensive evaluation of the system before purchasing additional equipment and system software.

GAO's current reviews concern such matters as whether the Postal Service is:

1. providing certain publications priority treatment at no additional charge to publishers,
2. using sound methods to collect data to serve as the basis for allocating costs and revenues to the various classes of mail and types of service provided,
3. permitting only eligible nonprofit organizations to mail matter at reduced rates,
4. following efficient traffic management practices in the transportation of mail,
5. using sound data as a basis for planning to spend about \$1.5 billion to construct a network of major postal facilities to handle bulk mail and to modernize existing buildings for handling letter mail,
6. utilizing throughout the Postal Service cost saving concepts and improvements achieved in certain post offices under the Key Cities program, and
7. providing an effective customer relation and service program for the benefit of both the Postal Service and the public.

GAO plans for future work, call for more emphasis on reviews dealing with the extent the Postal Service is providing patrons with reliable mail service at reasonable rates and fees. GAO will also be looking at the effectiveness of some recently initiated programs such as the express mail program—a door-to-door service provided by postal employees serving as special messengers; reviewing the use of the mailgram and other systems to reduce the physical volume of mail; and reviewing the value of assets and amount of liabilities transferred to the Postal Service. GAO will also stay abreast of the Postal Service's capital expenditure program, including its borrowing activities and its investments in postal equipment and facilities.

GAO will hold periodic discussions with the Postal Service concerning the scope, frequency, and nature of its reviews. In the past GAO has found such discussions with Postal Service officials to be mutually beneficial.

Mr. STAATS. Excuse me. Mr. Keller reminds me that we have increased our staff at the Post Office site from about 22 to 30 people.

Mr. HENDERSON. You mentioned that they will be issuing bonds and I think that the Congress would be interested in the future, in the success of the bond issues and how that money was expended in the Post Office Department. I am sure you have a continuing interest.

Now, General Staats, a few days ago members of our subcommittee staff had occasion to review some 10 different manpower utilization studies conducted by your office during the period between 1964 and 1965. In reviewing these studies—and many were made in conjunction with our committee—I noted significant changes have taken place as a result of the studies.

I have in mind in particular one study concerning the staffing of an Air Force Ground Electronics Installation Agency in the Pacific. This report resulted in a concurrent GAO-Civil Service Commission decision that it was illegal to contract for personnel to work under the immediate supervision of a Government employee.

Another GAO study on unnecessary cost due to the use of stateside personnel on Guam is now under detailed study by the Department of Defense and our subcommittee.

I want to make this comment, General Staats, to show the almost daily impact the General Accounting Office has on our work in this field of manpower utilization. You have been most helpful to us and we have found that the followup work that both our subcommittee and your office does—after the reports have become somewhat outdated—furnish us a basis for continuing review and study. We find that they are most helpful.

I wanted you to know that periodically within the limits of our own capability we try to look back even as far as some 1964 and 1965 reports to see where we are today.

I thought that you would appreciate both the fact that we do this and we certainly appreciate the fact that you continue interest in these areas rather than just filing the reports away.

Mr. STAATS. Mr. Chairman, it seems to me it is very important that the GAO maintain as close communication with the committees as is feasible because obviously we are interested in getting into areas which are going to be of concern to the Congress.

Now to be sure, we have an independent responsibility to go into areas where we foresee problems or where we think the GAO type of audit review would be important and sometimes indeed the interest of Congress is stimulated by the reports that we make so that we have to keep that in mind also.

But it is our desire to work closely with the committees so that the committees can be aware of areas we are working in, which would be of interest to the committees or where we in turn can take into account the interest of the members or the staff of the committees in our planning.

We have three men who spend full time arranging meetings, getting together, providing background information, and all of these kinds of things which are so important to the Congress in communications between our two offices.

We have always made an effort to keep the Congress as a whole better informed as to what we are doing. We have, for example, a monthly newsletter which goes to every Member of Congress. It also goes to the staffs of the committees. We also now have under the Legislative Reorganization Act a requirement to file at the end of each month a brief statement with respect to any report that we make to the Congress or to the committees or to an agency which has recommendation in it. And there is provision in that law, as you know, which requires that the agency then respond to the Government Operations and Appropriations Committees of the House and Senate on what they have done with respect to our recommendations.

Mr. HENDERSON. I note that you have a staff of about 3,000 employees. How would this number compare with, say, 10 years ago?

Mr. STAATS. The 3,000 are professionals. We have about 4,800 in total. I think the more meaningful relationship involves the professional staff. Roughly 10 years ago we had about 1,800. So we have increased our professional staff over a 10-year period by 1,200.

Mr. HENDERSON. If you would receive the additional five positions, to what extent, if any, do you think this action alone will increase your professional staff?

Mr. STAATS. Our need here is mostly in terms of getting top people who can provide leadership and to whom we can delegate more responsibility within the organization.

For example, we have recently established a new office—what we call policy and program planning—which is going to be responsible for all of our policies in the audit-investigation field; will be responsible for all of our publication work in the sense of our annual report and reports that go outside; it reviews or reports; it will also be responsible for our program planning.

It will be a very key spot in our organization and it is that kind of approach that we are looking for.

Mr. HENDERSON. Would it be fair to say that the increased workload has required the increase of professional personnel? You are saying now that you need the higher paying positions to give you better management of the people that are on board. You do not anticipate that as a result of the action requested by this legislation that there would be an increase in personnel as a result?

Mr. STAATS. No.

Mr. HENDERSON. What you have got here is not empire building but rather a need, because of the growing responsibilities, growing numbers of working level people, and of better management, so that you and Mr. Keller can delegate the authority and the responsibility for better operation of your office?

Mr. STAATS. That is right.

Mr. HENDERSON. Gentlemen, do you know Congressman Mills, a new member of our committee?

Mr. MILLS. I apologize for being late.

Mr. HENDERSON. You will find General Staats' testimony before you and you will find it very informative as to the request.

General, how many supergrade positions do you have and are all of these filled at the present time?

Mr. STAATS. We have a total authorized of 90. This includes 26 which were approved in the last legislation on the subject. Eighty-one of these are allocated today. Again I would like to emphasize here we have been holding off using some of those positions until we can finalize the organization internally.

This recent action, for example, establishing this new office, and incidentally we are establishing as a part of that office an internal review and inspection program which we have long needed but haven't found quite the way to do it, and we will obviously need one of those jobs for that post and there will be three or four others in that area.

So we don't have any surplus of supergrade positions.

Mr. HENDERSON. Well we hope you don't have any immediate need for greater authorization.

Mr. STAATS. No, we are not suggesting that at the moment but we at the same time are in need of the ones we have.

Mr. HENDERSON. Your need is greater for the positions requested in the bill than would be an increase at the supergrade level at the present time?

Mr. STAATS. Yes.

Mr. HENDERSON. Now do you anticipate that your use of the five positions would be in the level IV's or would you put them in level V's and then possibly move them to another level?

Mr. STAATS. We would like the flexibility, because as you know now level V pays the same as the grade 18. And we see no reason why this needs to be fixed at any one point of time as far as we are concerned, depending on—when you get a position at this level it seems to me a great deal depends on the experience of the individual concerned as well as the responsibilities it incurs.

Mr. HENDERSON. Does the bill give you the flexibility you feel you need?

Mr. STAATS. Yes.

Mr. HENDERSON. I think I have only one final question.

As I understand what you have said, the need for the authorization in the bill is an immediate need and you would anticipate that just as soon as it becomes law you would use this authority—you might use, say, one of the positions perhaps for future work, but there is an immediate need for the legislation that you have requested.

Mr. STAATS. Yes, indeed, and the full use of the five additional positions would be determined after Mr. Keller's committee has completed its work and I would say certainly that would be determined within a matter of a few months, but we do have an immediate need.

Mr. HENDERSON. And finally, for the record, if you want to submit a detailed statement, I think we should have your estimate of the cost of the enactment of the bill.

Mr. STAATS. This would depend, of course, on whether the positions are filled at level V or IV, but the differential in pay at the moment between level IV and grade 18 is \$2,000.

Due to continual changes in our personnel, it is unlikely that we will have all of our 90 supergrade positions for a full year even though sufficient funds are included in our appropriation for these positions. Appointments to the new positions would, except for the authority to appoint at level IV, be appointed at grade GS-18. Therefore, assuming appointments at level IV, the difference in pay would be \$2,000 for each position and the total increased cost for the five new positions would be approximately \$10,000 per year. For the current fiscal year I would not think the increased cost would run over \$5,000.

Mr. HENDERSON. This is the most it could cost upon full utilization of the authority?

Mr. STAATS. That is correct. I would like to, Mr. Chairman, since it is a recent example, to show you what can be done with good staff work, and I give our staff full credit for this.

Here is a report that we issued to the Congress on June 23, where we were examining the question of the length of delays in settling the cost of health services furnished under medicare. But in the process of that review we found that the hospitals were making improper allocations of cost between medicare patients and non-medicare patients.

So the Government in effect was paying somewhere between \$100 million and \$200 million more as a result of that improper allocation and the HEW has now taken action which will save for hospitals

which have more than a hundred beds—they have agreed to our recommendation and the savings for the next year is going to be a minimum of \$100 million and somewhere up to \$200 million.

This is one effort on the part of our staff. I bring it up only to emphasize the importance of having good quality professional people who are monitoring these programs.

Mr. HENDERSON. That is very important to have in the record and I am sure that you could give us many other examples just like this. It is very impressive to us.

Mr. Johnson?

Mr. JOHNSON. Thank you.

General Staats, I, too, want to welcome you here and also your assistant, Mr. Keller. I think you are doing a wonderful job.

Accounting was my first love. I spent 8 years in the public accounting field before I went to law school so I think it is a tremendously vital profession and it is growing. Take the State of Pennsylvania where we do everything under authorities, the job of auditing has really expanded into a lot of new fields and I can see where you must have very fine, well-trained people, to keep pace with these growing needs.

What type of qualifications will you expect a man or woman to have, to qualify for one of these five positions which you are requesting?

Mr. STAATS. For one thing, he would have to be a good manager. This would be something he demonstrates on the job, and in addition to that he would be a professional person of the highest qualifications, either in the accounting field or in the management field or the legal field, auditing field. These are the types of people we have.

I would just like to mention, if I could, at this point, that we have been in recent years recruiting from professional fields other than accounting and law which have been the two professional fields the GAO recruited from primarily. Now we are bringing in individuals with backgrounds in engineering, for example, which is very helpful to us.

We have two specialists in the actuarial field who work in the trust funds, systems analyses, people with backgrounds in economics, industrial management. These are some of the areas where you can team people up with the accountants and strengthen our total operation.

Mr. JOHNSON. Congress did last session put into law the requirement that a standardized accounting system for Defense contractors be established.

Mr. STAATS. Yes. I am the chairman of a board which is separate from the GAO but I was made responsible as the chairman of the board to appoint four other members, and to develop a set of accounting principles and standards to be applied in all negotiated Defense contracts.

I have a separate staff for that but there is still going to be some impact on the work of our office because the Board is going to be turning to the GAO for help from time to time. Then, of course, the GAO will have to audit against these standards.

Mr. JOHNSON. Admiral Rickover made the charge in front of our Banking Committee that the Defense contractors were milking the

Government of about \$2 billion a year by reason of not having this standardized system of accounting.

Have you so far in this work under the cost accounting standards board seen where that \$2 billion is?

Mr. STAATS. The honest answer has to be no. He arrived at his \$2 billion figure in this way: He said that in any negotiation that he had been involved in, where he could get good information on costs, that he had been able to effect a savings of around 5 percent. He applied that 5-percent factor to the total negotiated Defense contracts—which was around \$40 billion—and he got his \$2 billion by applying his 5-percent factor against the total for it.

There is no way, of course, that he or anyone else could make a statement factually as to what would be saved because the standards haven't been developed yet. That is the job of the Board, and until the standards are developed it would be impossible to make any kind of an analysis.

Mr. JOHNSON. Being an accountant myself I took a dim view of the legislation. I personally don't see how you are going to come up with a standardized accounting system which will fit General Electric or McDonnell Aircraft or—I think perhaps more stringent auditing would be better but I personally don't see how we are going to strait-jacket an accounting system for all these different companies in the United States and I think it is too bad that it has been put in your lap to do it.

Mr. STAATS. We recommended that it be placed in the executive branch, as you recall, and we were not successful in that effort.

But I agree with your general point that you cannot straightjacket every company in the same detailed standards. Now there are some general principles that can be established. But the concern on the part of the industry has been that this will be so detailed and so straight-jacketed to make them very difficult to operate. The Board, I think, is in full agreement that that is not what we want done.

Mr. JOHNSON. I see.

I mention this because in creating one of these five new positions I can see where you can need a very brilliant man to assist you in this job of standardizing an accounting system for Defense contractors, for instance.

Mr. STAATS. The legislation which established the Board did provide a level IV position for that staff and he is on board.

Mr. JOHNSON. All right.

Now did the Congress put new duties on you requiring you to audit multinational lending organizations throughout the world?

Mr. STAATS. With respect to the Inter-American Development Bank, the answer is yes. But on our own authority we have been also looking at the U.S. participation in the World Bank and also in the United Nations where a large amount of money is now being appropriated. So that we are going to be quite active in terms of reviewing the work of Agriculture, for example, in relationship to the FAO, the HEW relation to the World Health Organization, Labor Department in relation to ALO and so on.

But this is an area where we think we have made some pretty good progress as a result of our reports and the interest of the Foreign

Affairs Committee. The State Department has reorganized its arrangements for dealing with the United Nations and they have agreed with us that they should be pushing the U.N. to have a central audit organization.

The World Bank has established an internal audit committee and a staff and the Inter-American Bank has done the same thing.

Mr. JOHNSON. Would any one of these top five positions that you are requesting be assigned to this new activity?

Mr. STAATS. I couldn't really tell you at this point how we would handle this in our own plan of reorganization.

Mr. JOHNSON. I am just mentioning this because it carries out what you said in your statement, how each session of Congress loads new responsibilities onto your office.

One of these days we are going to have to build you a new building.

Mr. STAATS. We have been of the view that we should grow gradually because quality is a lot more important from our standpoint than numbers. We have not been of the view that we should grow too fast.

Now last year, to give you an example, our division and office directors internally requested a total increase in professional staff of 443 people. We asked for 177. The appropriation bill finally came through authorizing 135. Out of the 135 roughly 120 of those would be professionals.

That is not a large increase in any 1 year. But we do want to grow gradually with the idea that it is much more important for us to get good people and train them than it is to have large numbers of people which cannot be effective.

Mr. JOHNSON. I believe that is all I have. Thank you.

Mr. HENDERSON. Mr. Mills?

Mr. MILLS. Thank you, Mr. Chairman.

General Staats, you may have answered this before I got here but would these positions be filled from within the Government or with people from outside?

Mr. STAATS. Some of them would be filled from within. We have not yet decided on how we will fill them all. That will depend on really how we develop our internal reorganization. We do have in the process some internal changes in our organization and one of the reasons we are interested in these additional jobs is to make it possible to get some top leadership in several of these areas.

Mr. MILLS. As just a matter of interest on my part, how deeply involved does your office get into matching fund programs?

Mr. STAATS. The grant-in-aid programs?

Mr. MILLS. Right.

Mr. STAATS. We are quite active. Of course, we have responsibility for audit directly of the grant-in-aid programs just as we do with wholly administered Federal programs. But the magnitude of the program has really been a great problem for us because of the increase in the size of grant-in-aid programs. It is up to around \$30 billion this year.

So one of the things we are trying to do is to increase the capabilities of the States themselves to audit these programs. We have been working now for over a year on a project to come out with some standards

that we would say are adequate standards for grant-in-aid programs. That would be standards applicable whether the audit was made by, say, HEW or by the State of Pennsylvania, or by a public accounting organization that would be hired by the administering agency. We expect to have something in the nature of a draft of these standards later this year which we are going to then let the State and local people react to. We would also anticipate that we can perhaps adjust a model State law or at least alternative State versions of State laws which would help them build up their internal capability.

We find that many of the States are interested. Pennsylvania has had legislation pending this last year. Kansas put through a new law last year which set up an office in some ways quite similar to the GAO in its relation to Congress. In fact we are getting lots of requests from the States to come in and help them improve their internal setup.

We can't do much but at least we can give them some guidelines that can be useful to them in their own internal audit. Unless we can increase the capability of State and local governments to improve their audit we are just never going to have enough people.

Mr. MILLS. I am thinking you could almost use your entire force on just medicare.

Mr. Chairman, I have no further questions.

Mr. HENDERSON. General, I don't want to take but another minute or two because we do want to go into executive session.

You and I both would enjoy just getting on the record that as of July 1 in the Defense Department they went to the fiscal controls of manpower rather than the additional manpower ceiling system; and, I know that the members of our subcommittee have had longtime interest in and have worked with you personally, and your staff, on bringing about this new procedure. I commended Secretary Packard and the Office of Management and Budget on the action that they took.

I know that it can be very helpful if within a reasonable time after the new fiscal control system becomes effective we have your oversight study of how this new system is working for the benefit of the taxpayers as opposed to the old manpower ceiling system.

I want to commend you again for the leadership you afforded us in this area. I think that the interest you took in it really brought it about. I think that it can mean very much to the taxpayers.

For the members of the committee, what we are basically saying here is that the Defense Department—and we would like to see others as well do this—manage their money cost of personnel rather than trying to manage it by head counts and manpower ceilings. I think it is going to be a real mark of progress for the Government.

Mr. STAATS. We are very happy that the Defense Department and the Office of Management and Budget took the action that they did and recognized many of the problems that we said needed resolving, the distortions that were brought about through the manpower ceiling procedures, which of course is contracting out and shouldn't be, and the many things that were wrong with the system they had in effect before they made this change.

Mr. HENDERSON. Well we hope that later in the year we can take a day or two for hearings on this. I know that you and your staff could

be very helpful in giving us the problems that you would now anticipate might arise in the Defense Department within the areas of fiscal management.

Now that we have gotten to this point, I anticipate that there won't be certain problems because of limitations on money, the auditing systems, and the problems of inflexibility of using their money resources. But I think that it could be very helpful later in this year for us to get some input from the Department of Defense and certainly from the GAO.

Thank you very much, General. You have been very responsive to our invitation and to the questions of the members as you always are.

Mr. STAATS. We appreciate very much your interest.

(Whereupon, at 11:10 a.m., the subcommittee adjourned to reconvene at the call of the Chair.)



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Thank you very much, General. I on my part have very responded to our invitation and to the questions of the members as you always are. Mr. Strauss, I appreciate very much your interest.

(Whereupon, at 11:40 a.m., the Subcommittee adjourned to reconvene at the call of the Chair.)



