



## **TESTIMONY**

**From**

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**For**

**Committee on Governmental Affairs  
United States Senate**

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**On**

**“Oversight of GAO: What Lies Ahead for Congress’  
Watchdog?”**

Madam Chairman and Senator Lieberman, I am honored to have been invited to testify before you on the current and future state of the United States General Accounting Office (GAO).

When considering the performance of the GAO, it is necessary to recognize that we are reviewing the best of the best in federal government organizations. In my experience, GAO is superior in every way to any other organization in the federal government. In addition to that superior performance, over the six years I have been in the United States I have observed continual improvement in performance at GAO. Therefore my comments today should be seen as making what is already very good, even better.

The General Accounting Office has many roles and they can be described in a variety of ways. My preference is to look at them in the most simple of language while capturing the range of outcomes sought.

GAO is the accountability office of the federal government. As such it investigates the widest range of government activity, while seeking to establish propriety in the business of government. It serves a number of clients: the Congress, the administration, the agencies of government and the public. You may find my inclusion of some of these clients strange. However, GAO serves to protect public confidence in the institutions of government. Thus, GAO needs to maintain the very highest standards of integrity and credibility in the work it does. Its effectiveness is directly proportional to its reputation.

- In its day-to-day work GAO is a seeker of fact and truth for the purposes of achieving informed debate and informed decision-making.
- It investigates and establishes the propriety with which government organizations conduct their business.
- It identifies remedies for inappropriate behavior and informs the offending organization, Congress and the public where appropriate.
- It identifies risks to government, articulates those risks and in some cases quite fittingly leads that debate.
- By setting the example in how it manages, GAO creates a role model for other organizations to follow.

Over the last two years we at the Mercatus Center at George Mason University, at the request of GAO, have examined the quality of performance disclosure by GAO through its Annual Performance Report. First I would like to acknowledge that GAO is not required by law to produce these performance reports but does so voluntarily and that act of responsibility is to be applauded.

We applied to GAO exactly the same criteria we apply to the 24 CFO Act agencies when we review the quality of their disclosure each year. I must point out here that this examination is not a review of performance but a review of disclosure documents. We judge whether or not these documents contain sufficient information for the public to form an opinion about whether the organization is performing up to expectations. These reports

should also give us a picture of whether progress is being made on the objectives addressed by this organization. GAO performs extremely well in disclosing information to the public.

However there are areas where we think they could improve. These areas of potential improvement are mainly in portraying progress towards more responsible government.

- For example: each year GAO claims as one of its successes the quantity of money recovered. Each year this amount increases. Last year \$37 billion was recovered - nearly \$11 billion more than the year before. This is a significant achievement but what does it tell us? Is the problem of bad behavior by government organizations getting worse? If so how can it be fixed and when? GAO's reporting falls short of giving us a picture of improvement or deterioration in management practices in government organizations.
- In another area GAO claims as a success the number of recommendations it makes and the number that are accepted. This is a good interim measure but ultimately we need to know whether the adopted recommendations eliminated the unacceptable behavior.
- GAO is addressing these challenges and we expect to see continuing improvement in disclosing final outcomes.

### Challenges Facing GAO

I see two significant challenges facing GAO in the short term.

As the government moves towards accountability based upon outcomes (public benefits) then the validity of outcome measures becomes more critical. When accountability was based wholly upon whether money was spent in accordance with the appropriation, being the accountability officer was relatively simple. Now that a performance measure has to account for how much dependency declined, or by how much the risk of terrorist acts diminished, then the process is much more difficult. Add to that the need for an agency to show the high probability that their program *caused* that change and the task is even more challenging. Of course for Congress and the public, having that information brings a new confidence, because they know progress is being made. By knowing which activities are bringing the greatest progress and which are bring the least, Congress can act with new authority to invest taxpayer dollars only in those things that bring the greatest benefits.

For GAO the challenge is to bring a high level of integrity to this process so that decision-makers can act with confidence, knowing their decisions are sound. Assessing progress on outcomes frequently requires a level of subjectivity and the ability to measure non-tangible things. Therefore GAO will likely need to develop new human capital capabilities to meet this challenge.

The second challenge arises from the events of 9/11 and the War on Terrorism. In its attempts to protect the homeland against further attack, the government has been forced to take unto itself a number of powers that impinge on civil liberties and freedoms. In the interest of security the public has accepted this erosion of freedoms; however they are going to need constant assurance that government agencies are using their power in an ethical and proper manner. Given that much of these organizations' activities must remain confidential, maintaining public assurance remains problematic. It seems to me that an organization like GAO has the reputation for credibility and integrity to be able to examine the use of these powers in confidence. GAO could issue a statement of assurance to the public that the government's powers are being used in an appropriate and ethical manner.

Once again GAO will have to look at the capabilities necessary to carry out such a function and determine how it might acquire those capabilities. If the authority for GAO to carry out this work does not currently exist then this committee might well consider creating that power. I do know of some international parallels for the exercise of similar powers.

### Identifying Risk to the Federal Government

In my view, risk management is progressively becoming a more important characteristic of high quality organizational performance. That will be true regardless of whether the risk is imposed by changes to the external environment in which the organization operates (terrorism), or internal problems like contract management. Tolerance of risk should be determined by whether the risk is manageable by the organization or whether the factors creating the risk are substantially beyond the control of the organization. I am going to break this segment into two parts. The first will look at what I call "big picture risks" or new issues that did not exist before. The second looks at what has now become a GAO tradition: "The High Risk List."

## Big Picture Risks

GAO does well in assessing big picture risks, and should continue researching potential risks to government operations, to the economy and to society. GAO should also be encouraged to ignite public debate on these issues, while continuing to feed factual and relevant information to the public. Comptroller General David Walker has done an excellent job in sparking interest, debate, and action on the human capital crisis in government. Thanks to that work, we are now seeing some action on human capital management strategies that hopefully will bring about major changes to the way in which the federal workforce is managed.

We are also seeing Congress focus on legislative issues that will give agencies more freedom to manage their workforce in ways appropriate to a 21<sup>st</sup> Century economy.

## The High Risk List

Every two years GAO compiles this list of issues it has determined produce significant risk to the government's effectiveness. Clearly this is an excellent tool for placing a focus on important issues, where finding a solution should be a high priority. However, it could lose much of its effectiveness if appropriate expectations for minimizing or eliminating the risk are not identified at the outset. In compiling the list it would be helpful for GAO to designate anything they saw as inherently high risk, so that it would be expected to remain on the list permanently. With all other items, GAO could perhaps include an assessment of their gravity, a prediction on how long it should take to remedy the risk, and the approximate cost of the remedy, where it is possible to determine.

When looking at the high-risk list there are some immediate concerns. Some issues have been on there for a very long time. Interestingly, most of them seem to be within the immediate control of the organization. For example, a significant number of items on the list over ten years are contract management or acquisition issues. There is a large body of knowledge about how to do those things well and 10 years seems an inordinately long time to put a remedy in place.

In other cases it might be that the solution sought is impossible and another solution should be identified. For example the collection of unpaid taxes has been there for thirteen years. The question needs to be asked, "Are these taxes collectable? If not, shouldn't the IRS write them off as

uncollectable?” Or maybe the collection of taxes is inherently high risk and will always be on the list. My only criticism of this activity is that it is very hard to get a realistic expectation of what can be achieved and in what time frame.

Again the Comptroller has been very articulate in addressing high risk arising from the convergence of health care issues, changing demographics and social security on long-term government budgets. This should also be encouraged. But, the urgency of these issues may be better conveyed if GAO underscores how delaying action reduces the government’s options.

### Role Model for Government Organizations

In two areas opportunities exist to expand GAO’s reputation as a role model for other agencies. The first is in demonstrating how the principles imbedded in the Government Performance and Results Act can be used to create a high performance organization. GAO uses performance information to set its priorities and to determine the tools they use to bring about specific results. For example, GAO can show how its work on financial management was a causal factor in agencies getting unqualified audits. It can also demonstrate that its recommendations have diminished or eliminated other inappropriate behaviors.

The second area of opportunity is in the field of human capital management. GAO could set itself up as a role model in how it assesses capability needs, how to quantify the gap between current capability and future needs, and how to build strategies to bridge that gap. It can show others how it goes about acquiring the skill sets it needs either through new acquisitions of staff, investing in training existing staff, or both. It should also show the flexibility and innovation that it uses to acquire and keep skills that are critical to GAO’s success in achieving its objectives. GAO is already experimenting with evaluation schemes. This should be encouraged, and their results made available to other agencies. GAO should be able to experiment with performance pay regimes, contract pay or pay-for-product structures, and certainly telecommuting. To this end Congress should ensure that GAO has the freedom and the flexibility to be a role model in human capital management.

I trust this testimony, Madam Chairman and Senator Lieberman, will be helpful to the Committee in its deliberations on the progress and potential of the General Accounting Office.

Respectfully prepared and submitted by:

A handwritten signature in black ink that reads "Maurice P. McTigue." The signature is written in a cursive style with a large, prominent initial 'M'.

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*The views and opinions expressed herein are exclusively those of the Honorable Maurice McTigue, and do not represent the views of the Mercatus Center, or George Mason University.*