

Government in the 21st Century

A lecture delivered by
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DELIVERED BY COMPTROLLER GENERAL DAVID M. WALKER AT A GATHERING IN WASHINGTON COSPONSORED BY THE PRICEWATERHOUSECOOPERS ENDOWMENT FOR THE BUSINESS OF GOVERNMENT, THE COUNCIL FOR EXCELLENCE IN GOVERNMENT, AND THE NATIONAL ACADEMY OF PUBLIC ADMINISTRATION.

I appreciate the opportunity to visit with you this evening. I realize that I'm the only thing standing between you and free food and drink. But as I told the Senate Finance Committee last week in conjunction with Social Security and Medicare reform, you need to eat your spinach before you have dessert. And so you're going to have your spinach here via my remarks. I'd like to add my thanks to the PricewaterhouseCoopers Endowment, as well as the National Academy of Public Administration and the Council for Excellence in Government for co-hosting this event. I'm pleased and honored to be the first speaker in the Business in Government Lecture series.

I'd like to talk to you about several topics: our changing society; the role of the General Accounting Office (GAO); the challenges facing GAO; and, finally, my vision for the GAO, now that I'm four months into my 15-year tenure. I mentioned to the chairman of one of the committees earlier today that I've got four months on the calendar and six plus months on the clock. And I think it's probably going to stay that way because we have pent-up demand and are oversubscribed for our services.

Our Changing Society

Let me start with the changing international climate, which is relevant to the work that we do. First, we had the collapse of the Soviet Union, and the end of the Cold War era in which our military and political adversaries were clearly defined.

Second, we clearly have a situation where, as of today, although it's not likely to stay this way forever, the United States is the only superpower on earth (superpower being defined as having a combination of military, political, and economic strength). Consequently, the nature of the threats to our security is changing. Rather than having a clearly defined adversary, we now have a number of rogue nations and a number of extreme factions. We face challenges to both our physical and economic security as we look forward. So national defense is more than military might; it

We have the China factor, which has political, military, and economic dimensions. The U. S. economic position has changed dramatically since 1946, post World War II. In 1946, the United States represented more than 70 percent of global GDP. Today, it represents about 22 percent of global GDP. We're still number one, but not uncontested. We have the emergence of other economic unions such as the European Union, which clearly rivals us and, in fact, in some measures is larger. We have growing interdependencies with regard to trade, financial markets, the environment, anti-terrorism, anti-drug efforts, etc. We have an evaporation of borders with regard to the environment, health, security, and, as we all know, the Internet. There's the changing nature of our population. We have an aging society. In 1950, there were 16 persons paying into Social Security for every person receiving benefits. The ratio is now down to 3.4 to 1. By the year 2030, it'll be about 2 to 1.

We have additional diversity in our country. There are more women, minorities, and immigrants in the work force. In fact, the largest increase in our work force in the 1990s was represented by these categories, not just for full-time workers, but for part-time, job sharing, independent contractors as well. Our work force is changing fundamentally.

Unfortunately, the country also has a growing economic schism: the difference between the haves and the havenots. This difference also relates to the next point, which is an increasing skills gap. We need individuals who can compete in a global economy, who have the right combination of skills and knowledge. We must recognize that in this country we cannot compete on wages. We have to compete on the basis of productivity and innovation, and this will require different skills as we move into the knowledge economy.

We have labor shortages in select industries and occupations. We also have the lowest unemployment rate in decades. Yet at the same time we have people wanting to retire earlier, even though we need them to continue to contribute to our economy and our work force. The situation is going to become more acute as we look ahead.

The role of government is changing. Government is trying to strike a balance among its roles as an enabler, as an enforcer, as a provider, and as a partner. The government is trying to determine its core competencies as they relate to the business of government, recognizing that in many circumstances outsourcing solutions or shared services solutions may well be the right strategy. The dynamic is changing among federal, state, and local governments, not-for-profits, and the private sector. This emergence of a new federalism or the devolution revolution also affects us.

The budget picture is changing. We've moved from a sea of deficits to projected surpluses for as far as the eye can see. I would underline the word "projected" surpluses, because as recently as two years ago, they were projected deficits.

Our nation now faces a choice. We have an historic opportunity to make prudent choices today to better prepare for tomorrow. We also have an obligation to address much needed entitlement and other reforms in order to ensure the solvency and sustainability of some of the important safety net programs, particularly for our elderly. We have certain challenges, despite this changed environment, to federal institutions. Unfortunately, we have increased partisanship and polarization in the Congress, decreased trust and decorum within the Beltway, and reduced public confidence in government despite increased expectations of the government. People are asking more and more: Why can't government be as good as its private sector counterparts? What can government do for me? What is the return on my investment in the form of tax dollars? This pressure is creating a major management challenge for the government, which is having to move from a process orientation to a results orientation and to more of an outcome orientation than an output orientation. And the government is having to employ balanced scorecards and to benchmark all major activities. It's especially challenging, given the evolution in technology. Government used to be the lead in information technology (IT), when the world was driven by mainframes. But in the new environment of IT, the government faces challenges, although I might add that the Department of Defense (DOD) invented the Internet, although Vice President Gore obviously helped.

The Role of the General Accounting Office

What role does GAO play in trying to help face these challenges? I see GAO as an island of stability in a sea of turmoil. I see GAO as the rock that will stand the test of time and to which the Congress and American people can look for solid, professional, disciplined solutions. I see GAO as a multidisciplinary professional service organization within the legislative branch of government whose primary client is the Congress, but whose ultimate clients are the American people. I see GAO becoming a much more important organization in the years ahead because of the diversity and complexity of the challenges we face and the multidimensional nature of those challenges. I see GAO dedicated to a very simple concept, namely, the concept of good government. Our job is to help the Congress and others to continuously improve the economy, the efficiency, and the effectiveness of government for the benefit of the American people.

When I look at government, I divide it into two categories: the business of government, where we're focused primarily on economy and efficiency; and the mission of government, where we're focused primarily on effectiveness. Obviously, missions vary depending on what department or agency one is talking about. Let me give you some examples.

Regarding the business and effectiveness of government, the DOD has proved on a number of occasions, and unfortunately may have to prove again within the next 24 hours, that we are number one in the world from a military perspective. Nobody can rival us, at least not on the basis of current doctrine and strategy. So we rate an A for effectiveness. At the same time, we're probably barely passing in the areas of economy and efficiency. Billions of dollars could be redistributed to enhance readiness and to close the delta between what the military wants, needs, and can afford in connection with critical weapon systems. Our work in that area is going to be focused more on economy and efficiency, although we'll continue to work on effectiveness.

The Department of Housing and Urban Development (HUD) has made much progress in the past several years. Secretary Andrew Cuomo has made getting off our high-risk list a top priority. However, HUD's problems were decades in the making and they're going to take a number of years to solve. In order to measure the outcomes or effectiveness of HUD programs, one has to look beyond how many people are in low-income housing units or how many low-income housing units can be occupied. One has to see whether it's safe to walk outside, whether the units are structurally sound, and whether they're rat or insect infested. These all must be considered in order to ascertain whether the mission is being accomplished. Fortunately, HUD is making progress in these areas, but even more progress is necessary.

Our job is not merely to improve the economy, efficiency, and effectiveness of government. I hope that we can help to improve the public's confidence in and respect for their government. I'm privileged to work with 3,400 extremely bright and dedicated public servants. Quite candidly, I'm lucky I came in at the top because I don't know if I could get hired at the entry level. I looked at some of our criteria for hiring people at the entry level, and let's just say I don't meet the automatic selection criteria. Nonetheless, I am pleased and honored to be part of this organization and hope to make a difference in the years ahead.

GAO is basically committed to three core values. I'm a big believer in core values whether they relate to personal life or to any type of organization. GAO's three core values are particularly important, because technically we have 535 clients, the sum of the House and Senate membership. We can't possibly satisfy 535 clients all the time, especially when they represent different political parties, different ideologies, and different priorities. Therefore, we must have a set of core values that represent our foundation and that can be a touchstone for everything we do, whether it is reports, testimony, briefings, or anything else.

Our first core value is accountability. That is what we do. We are called the General Accounting Office, but that is a misnomer. In reality, the GAO is not about accounting; it's about accountability. Less than 25 percent of what we do is accounting and auditing in the traditional sense. We do program evaluations, investigations, policy analyses, legal research, and we render opinions. So we're about accountability. We help ensure the accountability of the executive branch to the legislative branch. We also help ensure the government's accountability to the American people. So accountability is what we do.

Our second core value is integrity. Integrity is how we do what we do. We want to be professional, objective, fact-based, non-partisan, non-ideological, fair, and balanced. We are dedicated to this core value.

Our last core value is reliability. We want our work to be timely, accurate, useful, clear, and candid. We have to say what we mean; we have to mean what we say; we have to tell it like it is, because that's why we're here. One of the reasons I have a 15-year, non-renewable term is because of the expectation that my time will be focused not just on today's challenges but also on the emerging challenges that are at the horizon and beyond. There is also the expectation that I say things in plain English and in terms that people might not always want to hear, but sometimes, quite frankly, need to hear. Because if not us, who? And if not now, when?

GAO will be of increasing importance, but it will be difficult to balance the competing interests. The only way to balance those competing interests is to stay committed to our core values.

The Challenges Facing the General Accounting Office

What are our challenges? Our challenges are similar to those of many other government agencies. We have increasing demands with fewer resources. Our head count is down 39 percent from its peak in 1992, yet we have more congressional mandates and more congressional requests. The result is that we have reduced flexibility. Today only 4 percent of our work is self-initiated. That's down from 66 percent when Charles Bowsher was sworn in as Comptroller General in 1981. Now 66 percent, frankly, is too high, given the fact that we're a client service organization. But 4 percent is way too low. We need additional flexibility to be able to do self-initiated work. Why? First, it's unrealistic to expect that, as bright and dedicated and capable as members of the Senate or the House may be, they are going to have all the good ideas about what needs to be done and when it needs to be done.

Second, we need to understand that, given the nature of political institutions and elected officials, by definition they have to focus on today's problems. They are not spending as much time on tomorrow's problems. Therefore, it's important for us to do so, and we have to bring these issues to the attention of the Congress before they reach crisis proportions.

Third, some of our best work has been self-initiated work that was subsequently embraced and championed by members of Congress. It includes blowing the whistle on the savings and loan situation, the Y2K problem, nuclear safety, and airline safety. We're embarking on a new strategic planning process in which we're looking at the key themes facing our nation and the American people in the years ahead. We have to divide the work into three-year time frames so we can plan our work, bring together the multidisciplinary skills within our organization, and come up with integrated solutions to these complex problems. We're trying to improve our client relations through an active and ongoing outreach effort with both majority and minority members in the House and Senate. We're trying to come up with clearly defined, consistently applied, and transparent protocols for dealing with our client and for getting feedback on a recurring basis as to what we're doing right, what we can do better, and how we can serve our client better.

We're re-inventing our work processes to achieve a better balance among quality, timeliness, and cost and to provide us with additional flexibility to do self-initiated work. We're enhancing our information technology, focusing first and foremost on Y2K, but also stabilizing and improving the responsiveness of our network and looking at our overall strategy going forward.

And last, but not least, we are focusing a lot of time and attention on the area of human capital, our people strategy. No organization can maximize its economy, efficiency, and effectiveness without having up-to-date, state-of-the-art, human capital strategies that are integrated with its overall strategic plan. People are assets in which one has to invest, in which one expects a return, in which one has to manage the risk. People are not an unlimited resource one can consume and throw away. We are going to try to lead by example in this area. We also will try to help the federal government focus more time and attention on the area of human capital.

My predecessor, Charles Bowsher, did a tremendous job in the area of financial management. I want to build upon what he's done and continue to make progress. We now have the Clinger-Cohen Act for Information Technology, which is a foundation from which to move forward. We have the Results Act, which is strategic planning and moves more toward outcomes and results that we can build upon. However, in order to make the Results Act come alive, to make it achieve its objective, we need human capital reform. There must be a new, more performance-oriented way of looking at how to manage and get the most out of people in the federal government.

Our *Performance and Accountability in High-Risk Series* is a 30-page summary of the major management challenges and program risks in the federal government. It identifies those functions, departments, and programs that we deem to be subject to higher risk of fraud, waste, abuse, and mismanagement. We are committed to updating this document every two years and providing it to the Congress. This is evidence of how we're trying to be more responsive to our client.

We're also involved in outreach to various accountability organizations. And I didn't say accounting. I said "accountability" organizations, because we're in the accountability business. We're in touch with federal inspectors general, state and local auditors, state comptrollers, Joint Financial Management Improvement Program, the International Organization of Supreme Audit Institutions, Financial Accounting Standards Board, Government Accounting Standards Board, Independent Standards Board, and Auditing Standards Board. There is a growing interdependency as we move ahead. There also is increased need for communication, coordination, and cooperation among all these different types of entities to maximize effectiveness and to minimize overlap.

I've been doing a lot of testifying regarding Social Security and Medicare reform lately. I've got a lot more to do in that area. These are very important issues facing our country. We will be true to our core values. We will tell it like it is. We will say what we mean and mean what we say. Our job is to try to help Congress understand the facts, see the options, present the various pros and cons, and then let the elected officials decide what they think ought to be done. But we will encourage them to move quickly.

The new consolidated financial statement audit will be coming soon, the second of its type. It will not result in a clean opinion. I will sign it myself. I think it's important to know that, although a clean opinion is a laudable goal, and although it is an important milestone because it is well understood and is an objective measure, a clean opinion is not an end in and of itself. The purpose of this financial management reform is to make sure that the federal government is in a position to have timely, accurate, and useful financial and management information in order to make decisions to improve the economy, efficiency, and effectiveness of government on an ongoing basis. You don't get there just by having a clean opinion. In fact, in some circumstances, you can get a clean opinion and not be there because you undertake heroic measures to get numbers that can be audited as of a balance sheet date, but you can't really do much in between the balance sheet dates. That's not acceptable.

In addition, the time has come to recognize that one can no longer audit around the computer. You must audit through the computer. We're kidding ourselves to think otherwise.

My Vision for the General Accounting Office

In summary, my vision, simply stated, is to ensure that the GAO leads by example. We are the oversight agency that reviews others. Therefore, we have a responsibility, an obligation, if you will, to be as good or better than anybody else that we're reviewing in virtually every major category. Fortunately, we're there in many cases. We're not there in all. We need to get there; we need to stay there. We need to make sure that we don't just talk about what's wrong. We need to talk about what's right and share best practices information because, after all, if one of our objectives is to increase the public's respect for and confidence in their government, they've got to hear that some things are going right, not just what's wrong.

I want to increase the value of the GAO brand name. And, yes, GAO is a brand name. It's a brand name that has tremendous value, both domestically and around the globe. I want to help the Congress make a positive and lasting difference for the American people, particularly in the areas of economy and efficiency, with special emphasis on performance management techniques and human capital practices, and in the area of effectiveness, with special emphasis on entitlement reform and the key challenges we face in the 21st century. I also want to try to help increase the public's respect for and confidence in their government.

Last and not least, I just want to try to make a difference. I'm proud and pleased to be part of the GAO team. I'm confident that by working together with partners in the public sector, private sector, and around the world, our GAO team will make a positive and lasting difference. I look forward to working with you in that regard.

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