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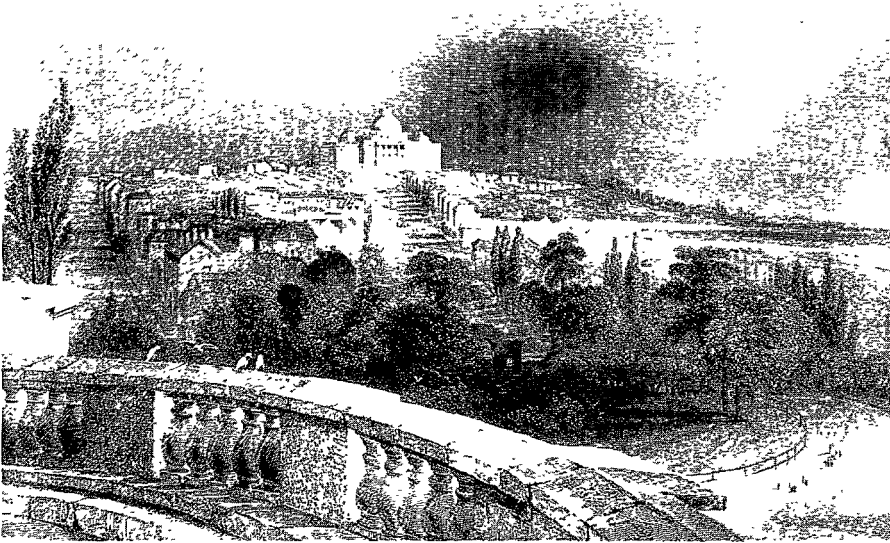
# THE GAO REVIEW

SUMMER 1975

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## WASHINGTON, FROM THE PRESIDENT'S HOUSE



*This view of Washington and Capitol Hill is from a steel plate engraving from a drawing by W. H. Bartlett about 1840. The book in which this view appears, American Scenery, notes as to this particular view that "Distance lends more enchantment to a view of Washington than to most other views."*

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# THE GAO REVIEW

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# GAO's Youth Advisory Committee: What Is It?

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*The vice-chairman of the executive council of this important GAO committee describes how it is organized and how it functions, and summarizes its activities during the past year.*

The Youth Advisory Committee was established by the Comptroller General under the Office of Personnel Management in 1969. Its purpose is to provide a forum for the young professionals in the General Accounting Office to express, through their representatives, their ideas and opinions on topics of interest, and to make appropriate recommendations to top management for improving GAO's policies, procedures, and work environment.

Between 1969 and the spring of 1974, there were various attempts to make the committee an entity involved in GAO's organizational structure. Modifications in its organization and responsibilities were made, and in the spring of 1974 a new charter established a new committee, increasing its

scope to include a wide range of topics affecting GAO. By coming under the guidance of the Deputy Comptroller General, the committee was placed in a more direct line to the Comptroller General. Additionally, Committee members serve as liaisons between younger staff members and upper-level management.

## Membership

The committee is composed of 28 members, including a representative from each regional office, each of the major accounting and auditing divisions, the Office of the General Counsel, the Transportation and Claims Division, the Office of Personnel Management Rotational Pool, and the offices under the Assistant Comptroller

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Ms. Goff joined GAO in 1973 and is an attorney/adviser in the General Government Matters Section of the Office of the General Counsel. She received her undergraduate degree in 1971 from Illinois State University and her law degree (J.D.) in 1973 from the University of Illinois. She has been admitted to the bars of Illinois and the District of Columbia. Ms. Goff represented the Office of the General Counsel on the Youth Advisory Committee and served as vice-chairman of the executive council for 1974-75.

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General for Management Services. The remaining divisions and offices are represented by an interdivisional member.

Committee representatives are elected under one of two alternate procedures. At the discretion of the director or regional manager, each division and office may establish a local committee, the membership of which will be determined through a general ballot by all staff members within the respective division or office who are eligible for membership. The local committee may, in turn, select one of its members to serve as the respective division or office representative on the national committee. If the director or regional manager does not choose to establish a local committee, the division or office elects its representative to the national committee through a general ballot by all staff members within the division or office who are eligible for committee membership. To identify eligible voters, each division and office is given a computer listing of its staff members meeting the eligibility requirements.

The best explanation of what the committee is and what it does is encompassed in the name itself—Youth Advisory Committee.

## Youth

The members are under 30 years of age, or have been with GAO less than 5 years and are under 35; are in grade levels GS-7 to GS-12; and are elected “locally” by all staff members meeting the same criteria in their region or

office or by the local committee. (Thus, the committee represents over one-third of all GAO professionals.) The purpose of the age and grade limitation is to insure that the input and recommendations reflect the interests and problems of younger professional staff members at GAO.

The concern is not to concentrate just on the age of the staff member but also on his or her length of service with GAO. The committee is the result of the realization that what is a problem to a member who has been with GAO a couple of years becomes ameliorated with time, either because one gradually adjusts or because of attrition. The committee stresses that, although an adjustment occurs, this does not alter the fact that the adjustment could have been better and more rewarding, both for the staff member and for GAO.

## Advisory

The committee’s role is an advisory one, not one of audit. Therefore, although each member receives input from his or her constituents (20 to 100 staff members), the committee does not have the authority to audit situations that it is concerned about. Rather, it uses its broad-based constituency to point out areas of concern to other divisions within GAO, such as the Office of Internal Review, the Office of Staff Development, the Office of Personnel Management, Field Operations Division, and the Assistant Comptroller General for Management Services.

In this way the concerns and im-



*The Youth Advisory Committee. Top row, left to right: Paul D. Lacy, MWD; Ronald L. Berteotti, GGD; Paul A. Latta, Norfolk; Martin G. Landry, Atlanta; Charles Hessler, ID; Warren Smith, FPCD; Stephen J. Jue, Seattle; Joseph H. Hobbs, interdivisional; Edward A. Tomchick, PSAD; Charles W. Woodward, TCD. Middle row, left to right: Mark J. Ables, Dallas; John L. Brummet, Detroit; Paul A. Puchalik, Philadelphia; Robert C. Wuori, Chicago; Bob J. Jones, Denver; John W. Lainhart, chairman, FGMSD; William M. Zimmermanling, San Francisco; Lawrence A. Kiser, LCD; Terence J. Davis, Cincinnati; Jerome E. Matzen, Kansas City. Seated, left to right: Maudie Mitchell, first-year Rotation Pool; Ngairé Cuneo, New York; Jackie A. Goff, vice-chairman, OGC; Jane Whitehead, Boston; Marjorie Hrouda, REDD; Martha Flanagan, Washington; Emi Nakamura, Los Angeles.*

pressions of GAO's young staff members become a factor in GAO's overall personnel decisions. Committee representatives realize that they see situations at GAO differently than upper-level management and make suggestions accordingly. Therefore, while the committee believes its suggestions would improve the working conditions or morale of the younger staff members, it realizes its needs must be counter-balanced against many other needs of the agency as a whole. However, until its chartered purpose is changed from an advisory one to something else, the committee sees its function as one of advising upper-level management about the problems of younger staff members and solutions to those problems—as the younger

staff members see those problems and solutions.

### Committee

The committee concept has worked very well. Local membership varies from three to nine persons, with one member being on the national committee; some of the regions and divisions have a national representative only. The national committee meets about four times a year in Washington, generally for 3 days.

The national membership elects from itself three members to serve as its executive council—chairman, vice-chairman, and secretary. The executive council arranges and schedules meetings of the full committee, prepares the

agenda for the meetings, and represents the committee on all matters pertaining to it between meetings.

The committee has been able to work quite effectively by dividing into subcommittees, each delving into areas of specific interest to the committee. Each member solicits detailed information—problems, opinions, recommendations—from his or her constituency in the region or division. The subcommittee compiles the information for presentation to the full committee. Speakers (representatives from divisions and offices) are asked to attend meetings to discuss topics on which the committee desires more information and clarification. Then the subcommittee presents its ideas and recommendations to the entire committee for discussion and finalizes position papers to be sent to the Deputy Comptroller General. Minutes of each meeting are circulated to the constituents afterwards.

Between national meetings each local committee operates much the same as the national committee, depending upon the interest or problems of the younger staff members of the various regions or divisions. Since only problems concerning all younger staff members of GAO are discussed at national meetings, the local committees can concentrate on their individual areas of interest.

Additionally, through involvement in the national committee, members can learn from the experiences of the other representatives. Ideas are exchanged, giving each local committee the benefit of the experiences of all the other divisions and regions of

GAO.

### Committee Operations 1974

During 1974, the committee expressed the need for GAO to recognize that people are its primary resource. It felt that policies, working conditions, etc., having a negative effect on GAO's personnel must be corrected.

The committee chose the topic of attrition among young professionals at GAO as the general area for consideration for the year. Recognizing that attrition can be generally classified as internal and external and that management has little control over external factors, the committee limited its study primarily to internal factors.

The first specific areas of concern identified by the committee were recruiting, ratings, and promotions—problem areas which might be alleviated to lessen the attrition rate among young staff members in GAO. Although the committee identified problems in recruiting procedures, its major findings were in the areas of ratings, promotions, and travel:

- Information concerning GAO's policies on promotions and ratings was lacking.
- GAO's average-time-in-grade promotion policy does not reflect one's performance or potential.
- GAO's rating system does not reflect one's performance.
- Recruits were told per diem would more than cover travel expenses.
- The amount of travel (either excess or lack of) was not made clear.



The committee's positions were presented orally by the subcommittees to Deputy Comptroller General, *Robert F. Keller*, at meetings. Position papers were also transmitted to the Comptroller General and the Deputy Comptroller General. Mr. Keller authorized the committee to release copies of the position papers to the Directors of the Office of Internal Review, the Office of Personnel Management, and the Field Operations Division and to the Assistant Comptroller General for Management Services.

Following are *some* of the findings and recommendations made by the committee over the year.

*Findings:* Recruits were not adequately informed about many aspects of their career at GAO which led to dissatisfaction. Although the committee realizes that GAO is interested in attracting the people it wants, equal importance must be placed on assuring that well-informed potential employees want GAO.

*Recommendations:* A systematic recruiting program should be set up and recruiters should be trained.

*Findings:* Time-in-grade criteria affected motivation, performance alone did not seem to be the basis for promotions, and individuals did not know where they stood regarding their promotion potential within their peer group.

*Recommendations:* Time-in-grade criteria should be abolished since they operate to create an "average" for a group, rather than a meaningful criteria for the individual; promo-

tions should be based solely on performance; and individuals should be informed periodically of their relative standing within their grade level and their progress to the next grade level.

*Findings:* There is a lack of standard criteria for ratings, current rating forms are not always appropriate since not all categories relate to job performance, and ratings seem to be too closely tied to time in grade, which often results in individuals getting low ratings because they were recently promoted.

*Recommendations:* Increase the use of narrative reports as opposed to or in conjunction with ratings, so that unique job characteristics can be discussed, and use a dual rating system—one for promotion potential and one for performance.

*Findings:* Travel appears to be a main reason for attrition in the regional offices.

*Recommendations:* Employees traveling within their own region should be allowed to return home every weekend at Government expense, and firm documentation of the financial savings to the agency in doing so should be compiled to justify this. It was also suggested that management recognize travel time as part of an employee's normal 40-hour week.

*Findings:* Although GAO's external training and professional staff development are not directly related to attrition, they do affect staff morale.

*Recommendations:* Since guidelines

for training policies do not exist, such guidelines should be issued and should include, among other things, examples of professional development activities, training courses, and administrative leave approved.

The committee made many other recommendations, including recommendations on first-year orientation and first-year assignments.

In a memo to the executive council dated October 11, 1974, the Comptroller General, *Elmer B. Staats*, expressed his enthusiasm about the committee's accomplishments in helping to recognize problems adversely affecting staff motivation in productivity in GAO and in making recommendations for alleviating these problems. He presented a summary of corrective actions, either contemplated or underway, for the areas of recruiting, promotions, and ratings:

1. A recruiter training program was being developed.
2. The recruiting manual was being updated.
3. The rating system was being revised.
4. A study of GAO's promotion policies and procedures had been initiated.
5. A recruitment brochure, with input from the committee, was to be developed.

With reference to the recruitment brochure, the Assistant Comptroller General for Management Services, *Thomas D. Morris*, asked three committee representatives to serve on a special task force to develop an experi-

mental recruiting brochure for headquarters. The purpose of this new brochure is to realistically and honestly inform those persons being offered a position at GAO of what to expect when they first start working for the Office.

In addition, the first-year orientation subcommittee met with *William Martin*, Director, Office of Staff Development, to discuss the committee's position paper on first-year orientation and efforts being made to correct the problems described in that paper.

Finally, the committee, with the concurrence of the Deputy Comptroller General, modified its charter to allow for an alternate to be elected at the same time the primary representative is elected. By doing this the committee sought to insure that each region, division, and office would be represented at every scheduled meeting.

The charter was expanded to provide better representation in other ways. For example, to be eligible, a person must be a professional staff member who, at the time of appointment, is:

- in grades GS-7 through GS-12, and
- under 30 years of age, or
- under 35 years of age, with less than 5 years with GAO.

(The reasons for these criteria were discussed earlier.)

Furthermore, the national committee's membership was increased from 27 to 28 to give representation to the offices under the Assistant Comptroller General for Management Services.

Due to travel restrictions, the final

national committee meeting was limited to representatives from the Washington divisions and offices and the Washington regional office. William Martin met with the group to explain the functions and organization of the Office of Staff Development and its relationship to the Office of Personnel Management. Since many of the areas now covered by the Office of Staff Development, such as professional staff development, the first-year professional program, and requirements and assignments, were areas of concern to the committee in 1974, the briefing was very helpful.

## Conclusion

The Youth Advisory Committee looks forward to continuing its attempts to study relevant problem areas and remains receptive to the opinions and views of its constituents and representatives from offices and divisions working on related problems. Since GAO's strength is in its people, and since the Youth Advisory Committee deals directly with people-problems, it is encouraged by the positive reception it has received from higher management and hopes to have future representation on task forces and other committees studying problems which affect GAO's primary resource—its people.

## In the Right Direction

. . . today's America is far from perfect, but it is much closer to the America that my class of 1935 wanted than it was when I left the University of Michigan.

Today's America is a far better place than it was 40 years ago when the lingering shadows of worldwide depression were being blotted out by the darker clouds of worldwide war. My generation did not wholly save the world, obviously. But we did, to a degree, help to move it along in the right direction.

*President Ford*

At University of Notre Dame

March 17, 1975

721537

## Regression Analysis: Does It Have Practical Use?

*The authors stress the usefulness of regression analysis in specific situations and suggest that it has potential for more widespread use in GAO.*

The title represents far more than a rhetorical question set up as a strawman to impress readers with our statistical knowledge. This question was recently posed by a fellow GAOer who was becoming increasingly frustrated at the complex-looking formulas and the even more complex-sounding rhetoric that accompanied his introduction to regression analysis. We believe what he really wanted was:

- an understandable explanation of regression analysis,
- an understanding of how regression equations are evaluated, and finally,
- examples of how GAO has used

regression analysis on other assignments.

We hope this paper will be a start in providing information to those interested in knowing more about regression analysis and its uses.

### What Is Regression Analysis?

The term "regression" was coined by Galton, a researcher studying the relationship between the heights of fathers and their sons. Galton found that sons with tall fathers were usually shorter than their fathers, while sons with short fathers were usually taller than their fathers. He concluded that

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Mr. Johnston is an operations research analyst in the Financial and General Management Studies Division. He has worked in private industry as well as in both the Defense and International Divisions. He participated in the Education Program in Systems Analysis and holds a B.S. degree in accounting from Mississippi College and an M.B.A. degree in managerial economics from The George Washington University. He is a member of the Association for Public Program Analysis, the Society of Government Economists, and the National Association of Accountants.

Mr. Rogers is a mathematical statistician in the Financial and General Management Studies Division. He has worked as a university research assistant and in the Denver regional office. He participated in the Educational Program in Systems Analysis and holds a B.A. degree in mathematics and statistics and an M.S. degree in statistics from the University of Wyoming. He is a member of the American Statistical Association.

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the heights of sons tended (regressed) toward the average (mean) height of the total population. Hence, "regression toward the mean" or, more simply, "regression." Although further development has resulted in applications quite different from this early study, regression analysis remains fundamentally the same—the study of *relationships* and their tendency to *regress* toward a mean when a large number of cases are examined.

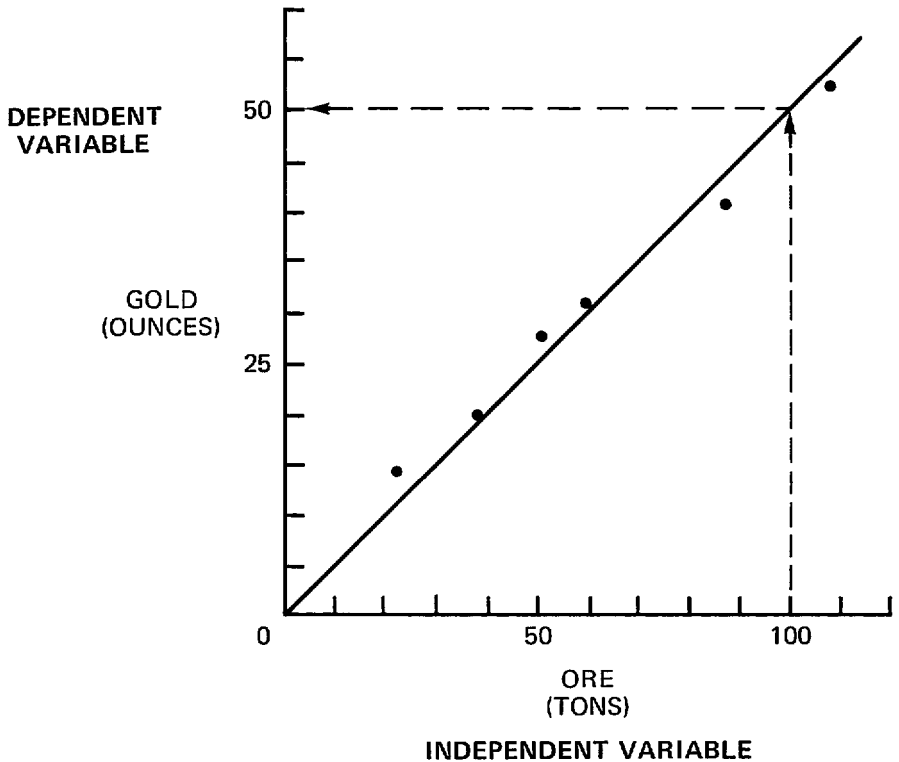
Now take an example of how this concept might be applied to an audit problem. Assume that we are auditing a gold mine for which a high-speed mining machine has recently been purchased. What we need to estimate is

the amount of gold that this machine will produce in 1 day. In the past, the relationship between the quantity of ore mined and the gold produced has been:

Ore (tons)	Gold (ounces)
22	13
39	18
50	27
60	30
90	38
110	52

By plotting these points and drawing a line which best divides the points into two groups, called the regression line, the machine's gold production can be estimated. (See fig. 1.)

FIGURE 1



If we know the machine will mine 100 tons of ore a day, then by finding 100 tons on the scale, reading upward until we hit the regression line, and then following that point to the scale marked gold, we obtain an estimate of 50 ounces. This method of using the results of the regression presents two problems:

1. No two people will draw exactly the same regression line.
2. No two people will read the scales the same when they are obtaining the solution.

Fortunately, there is a simple solution to both of these problems. These production figures could have been entered into a computer, allowing the best regression line to be mathematically determined. Furthermore, this regression line would have been expressed as a simple equation which anyone able to add, subtract, and multiply could have solved. In this case, the equation would have been:

$$OG = 0.5 (TO)$$

Where: OG is gold in ounces  
TO is ore in tons

The only "jargon" needed at this point is that the item to the left of the equal sign (OG) is called the dependent variable and the item to the right of the equal sign (TO) is called the independent variable.

### How Much Trust Can You Place In Regression Analysis?

There is no easy answer to questions about the validity of a regression equation. Everyone has heard about statisticians claiming the existence of

a high correlation between flies in Tahiti and sunspots; statistics is not without its share of charlatans. However, the first test of a regression equation's soundness is: Does the relationship (e.g., flies and sunspots) make sense? If not, there are very strong grounds to question it.

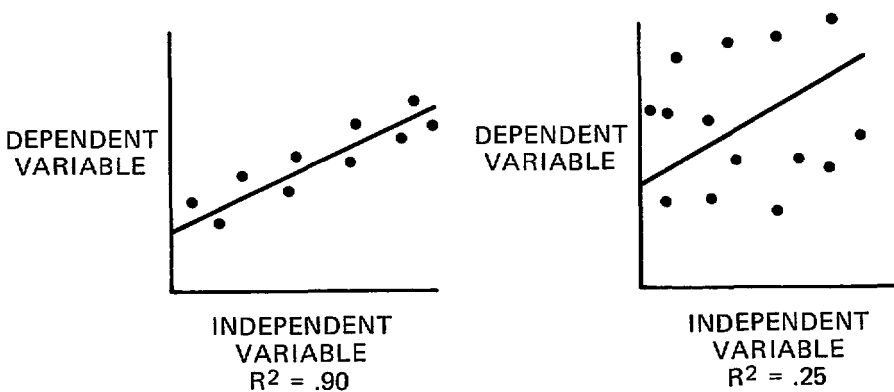
Once this hurdle is passed, the second indication of validity is the index or coefficient of determination—the  $R^2$ , a measure of the difference between the actual and predicted values. This statistic not only is the most frequently used measure of validity but is also the most easily understood. Basically, the  $R^2$  provides a measure of the variance in the dependent variable explained by the independent variable(s). The value of  $R^2$  can be anywhere from 0 to 1.0, the general rule being the higher the value the better the equation. Figure 2 shows how two regression equations with differing  $R^2$ s might be expected to look.

As shown in figure 2, in the case of a high  $R^2$ , the regression line comes close to touching all the known values. When the  $R^2$  is low, the regression line does not "fit" as well.

One caution is that the value of  $R^2$  considered acceptable for any particular equation depends to some extent on the type of data being used. The value is usually higher in the case of economic data and lower when it comes to social data.

The final indication of validity is the extent of the relationship between the dependent and independent variable(s). Sometimes the relationship shown by an equation can turn out to

FIGURE 2



be purely the result of chance. This problem can be addressed through the use of a variety of statistical tests. Although the tests themselves are based on rather imposing mathematical formulas, test results can be understood, and, just as importantly, cleared through referencing, without knowledge of advanced mathematics. The important thing to know is that these tests do exist and that the nonstatistician can and should ask what these tests show.

### How Has GAO Used Regression Analysis?

Regression analysis is much like the computer. Although we can discuss how it has been used, its possibilities have not been exhausted, and the future will see its use spread to many areas within GAO. This section provides insight into how GAO has used or is using regression analysis in reviewing agency programs and operations. We selected four assignments for discussion. Collectively, they show

how regression analysis was used to

- estimate the supply and demand for coffee;
- forecast mail volume, revenues, and expenses for 1984;
- measure the impact of home environment on the educational attainment of Indian children; and
- identify the major variables used to determine funding levels for schools participating in a Federal grant program.

#### Estimating the Supply of and Demand for Coffee

The GAO report, "Foreign Aid Provided Through the Operations of the United States Sugar Act and the International Coffee Agreement" (B-167416, Oct. 23, 1969), is a landmark in that it contains the first use of an internally developed regression equation in a GAO report. The major thrust of the report was that the two agreements resulted in large amounts of foreign aid going to certain countries without the benefit of traditional congressional oversight.

To demonstrate this point, it was necessary to show the major factors which explain world coffee supply and demand. The resulting equation was to be used to show that exporting countries' income was higher than it would have been without the act. To do this, GAO developed regression equations using measures of supply and demand as the dependent variable and coffee prices, national income levels, and time as the independent variables. The equations were then used to help substantiate GAO's position on the level of aid provided.

#### **Forecasting Mail Volume, Revenues, and Expenses**

The report, "Forecast of Postal Self-Sufficiency Potential" (GGD-75-58, Feb. 20, 1975), was a GAO response to a congressional request for an estimate of the first-class postage rate in 1984. In this report, three related regression equations were developed using volume, revenues, and expenses as dependent variables and factors such as population, productivity, and inflation/wage rates as independent variables. Historical relationships were used to develop the equations, and published forecasts of what the independent variables might be by 1984 were obtained. By substituting these estimates in the GAO equation, it was possible to forecast the first-class postage rates for 1984.

In addition to a discussion of how these factors affected postage rates, the report presented three basic pictures of the Postal Service's financial position in 1984: optimistic, most likely, and pessimistic.

Although the equations developed in this report were useful in forecasting the future economic condition of the Postal Service, their main value is that they dramatically showed where improvements must be made to make the Postal Service self-sufficient by 1984—a mandate which the Congress has given the Service.

#### **Effect of Home Environment on Educational Achievement**

In our audit of the White Mountain Apache Indian Reservation, regression analysis was used to measure the impact of home environment on the educational achievement of Indian children. During the review, school officials from the reservation said that factors outside the school system's control had had a great impact on their student's educational progress. The problem was that no effort had been made to determine what these factors might be.

During the review, an extensive household survey was conducted. This survey gathered information on opinions, attitudes, and incomes of entire households, as well as the education level of all adults in the households. This data was then combined with data obtained from school records, so that a more complete picture of each child could be obtained. Using regression analysis, variables about the home were related to educational achievement. The equation showed that variables external to the school system had a great impact on the educational achievement of the Indian children. From these preliminary results, it was possible to outline additional work



that might serve to identify other variables which might also influence educational achievement. Hopefully, as more of these variables are identified, it will become possible to measure the impact of programs directed at the home in terms of their ability to increase educational achievement.

**Identifying Major Variables  
Used to Determine  
Funding Levels for School Grants**

In our work relating to a Federal program to strengthen developing institutions, regression analysis was used to identify variables used in establishing the dollar size of grants to schools qualifying under the Federal program. The Office of Education identified several variables which it said it used as a basis for determining grant size. These variables were combined with variables which GAO auditors thought might have some influence on the decision, and the data was analyzed using regression analysis.

The resultant equation showed that the GAO variables were more important in explaining grant size than were those of the Office of Education. Information of this nature is useful in establishing conflicts between guidance given the selection panel and the program goals as seen by the Office of Education.

**Recognizing the  
Regression Situation**

The basic purpose of regression analysis is to examine the impact of one or more variables on a particular variable in which we are interested.

The previous examples have shown how regression analysis can be used as both a forecasting/estimating tool and as a descriptive device. Although it is easy to recognize problems involving forecasts which regression analysis might help solve, it is usually not so easy to envision its use as a descriptive tool.

In very general terms, an auditor may need to consider using regression analysis when examining programs where there is a need to make statements about a decision or a condition and yet little information is available as to the underlying reasons or causes. In such a situation, regression analysis can be used to examine and rank, in order of importance, not only those variables the auditor considers important but also those the agency, the Congress, and other interested parties consider important.

**Conclusion**

We do not see regression analysis as the answer to every problem; it's not, but then what tool is? Regression analysis is just that—a tool about which every GAO auditor should have some fundamental knowledge.

## Totals May Not Add Due to Rounding

*How a liberal arts major (political science) was initiated into the strange land of accounting.*

My first contact with a GAO auditor was during the oral exam for the Federal Service Entrance Exam. One examiner, who was an assistant regional manager in the Cincinnati regional office, gave me a brightly illustrated document exhorting the benefits of a career with GAO. He asked that I read it and explained that, even though I had never had a business course in college, GAO was interested in hiring nonaccountants in order to have a well-rounded staff.

I subsequently investigated public sources of information about GAO. My liberal arts education told me that accountants were people who wore green eyeshades and wrote little numbers in little boxes. (Bob Cratchit in "A Christmas Carol" came to mind.) Research in the public library revealed the scope and depth of GAO's auditing efforts, and, after a discussion with a recruiter from the Cincinnati office about specific information, I decided that GAO would present a unique and diversified challenge.

This left only one problem for me. Numbers! For as long as I can re-

member, I have felt about numbers the same way I feel about spiders and snakes. They are disturbing, elusive little unpleasantries that must be dealt with occasionally but should be avoided whenever possible. The various manipulations required to properly handle numbers have always been a mystery to me. I had always considered it rather boring and unimaginative to be forced to come up with only one correct answer to a mathematical problem. It seemed much more creative when I added the same column of numbers to a different total each time. Unfortunately, the auditing and accounting professions are not yet ready for this type of artistry.

This rejection of my talent by an ungrateful society left me with a permanent paranoia where mathematics are concerned. As I applied and was accepted for a position with GAO, a little voice kept telling me that any office with the word accounting in its name might involve working with numbers. With remarkable elan, I dismissed the thought.

I reported for work filled with

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Mr. Kissel is a management analyst in the Cincinnati regional office. He is a 1967 graduate of Xavier University in Cincinnati.

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trepidation that I was out of my element. These fears were soon dispelled, however, when I was greeted with great piles of forms, documents, and handouts as part of my initial processing. Here was something I knew! Three years in the Army had equipped me to handle the morass of official documents, and before I knew it I was filling boxes, signing forms, and writing "N/A" in every available space. As the orientation proceeded into an explanation of how GAO audits were performed, and a discussion of jobs in progress, my confidence grew. I was convinced that the term "audit" merely meant "investigation" in governmentese, and I knew that my military experience as a counterintelligence investigator would get me started. At the end of orientation I was told I would be spending a couple of days around the office before my first assignment. In the meantime, the fact that I had forgotten my fear of numbers was setting me up for the hard fall.

The fall came the next day, when another of our assistant regional managers, who obviously was unfamiliar with my background (or lack of it), called me into his office. He presented me with a large stack of travel vouchers and told me to schedule them for a survey he was performing. At that time I thought a schedule was something that told you where and when your classes were being held; I didn't know the word could be used as a verb. But I merely nodded brightly, gathered up the forms, and scurried off to the training coordinator to obtain an English translation of the verb

"schedule." When I explained the situation to him, I saw a gesture that was to be repeated many times by my supervisors. His eyes turned imploringly to the heavens, then closed as his head began slowly swiveling from side to side. He muttered something about a well-rounded staff, and then introduced me to a sheet of 21-column paper. When I saw all those little boxes, my blood ran cold, and I staggered to a chair. It was a vision from my worst nightmare.

Nevertheless, I spent the rest of the day carefully executing artistic little numbers in confining little boxes, and the next morning I presented my handiwork. The assistant regional manager glanced at the paper, and noted with surprise that I hadn't footed or crossfooted the schedule. His tone of voice conveyed that I had made some grievous omission, but the blank expression on my face reflected the fact that I had no idea what he was talking about. When I made no reply, he looked up from the paper, and his expression underwent a series of transitions from curiosity, to irritation, to confusion, and finally settled on disbelief. When he realized the depth of my ignorance, he responded with the training coordinator's gesture, sighed deeply, and then explained to me that it was imperative that I add all the numbers up and down, then add all the numbers left to right, and, as a final gesture, add all the left to right totals up and down, and all the up and down totals left to right. Just as I was about to laugh at his little joke, his expression clouded, and he said, "And you had better get the

same answer." I decided that laughing at this point would be ill-advised, and I beat a hasty retreat.

As I sat down and gazed at the vista of column after column of numbers unfolded in front of me, I was near despair. The idea of adding numbers in columns seemed basically sound, but adding them across the page was an alien concept. And expecting the totals from both operations to match was incomprehensible. But as I gazed around the office, I spied several auditors happily pecking away at adding machines, and I decided that if I was going to work for GAO for the next 30 years, I ought to try it at least once. So I set my jaw and went off in search of an adding machine.

Unwilling to admit that I didn't know how to use an adding machine, I spent the next hour teaching myself which buttons must be pushed to provide a reasonably acceptable solution to my addition problem. This done, I set out to "foot and crossfoot," feeling as the Israelites must have felt the day they departed Egypt.

On the first attempt, my vertical total came to within \$15,000 of my horizontal total, and I was well pleased. Three hours earlier I would have considered this more than sufficient, but, on reflection, I realized

that accountants seem to take this sort of thing rather seriously, and I decided to try again in the hopes that I could cut the difference to around \$7,500. My next attempt, however, was off by \$42,000, and I realized that it might be a good idea to check some of the numbers I was punching into the adding machine. After discovering that my index finger had a tendency to hit the 8 instead of the 3, I decided to check each column as I added it. Although this method added time to my calculations, it provided startling results. I really don't think that Christopher Columbus felt as elated as I did when the two totals were identical.

After this trauma, the office assigned a series of courageous, competent, and understanding accountants to be my supervisors. These brave men took me into protective custody, and chaperoned me through the early stages of my career. Their guidance, plus the elation and thrill of discovery that I felt learning to foot and crossfoot, have enabled me to approach accounting-type operations with an open mind. I almost look forward to my next encounter with commonly accepted accounting principles. I just wish someone would tell me what a debit is.

## Using the Skills of Other Professional Disciplines

721535

*In the Summer 1974 issue of The GAO Review, D. L. Scantlebury discussed using analytical experts in auditing. Analytical experts were defined as actuaries, statisticians, computer specialists, psychologists, and others having special skills who solve problems not normally within the competence of auditors. Melding the talents of auditors and experts in other disciplines will be the major challenge in auditing in the next decade. This paper discusses some audit assignments where this kind of melding produced more effective reports.*

Accomplishing our objectives by using people who have been trained in disciplines other than accounting and auditing is not new to GAO. Over the years, the nature of our audit work has evolved from financial and compliance work, to audits of the efficiency and economy of operations, to reviews of program results (or effectiveness reviews). This evolution has demanded an increasingly higher level of experience and sophistication in the auditing staff; it has also demanded the skills of professional disciplines other than accounting and auditing.

In recent years we have begun using other professional disciplines more frequently; as a result of integrating

their work with our audit work, our reports have been more well-rounded, better documented, and more convincing. I see this trend continuing because we are approaching our work differently today than 10 or even 5 years ago and because the skills of other professionals are needed to properly assess the results of some socioeconomic programs. In fact, the auditing profession as a whole should stay abreast of and explore new ways to use the skills of others.

This article describes some of the audit work done over the past several years in which the Boston regional office has been involved and illustrates how we have used other professional

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Mr. Lucas is an assistant regional manager in the Boston regional office. He is a CPA (Massachusetts) and a member of the American Institute of CPAs and the Federal Government Accountants Association. He has been with GAO since graduating from Boston University in 1957 and has previously contributed to *The GAO Review*.

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disciplines in our audit work.

## Use of Engineers

In pricing contracts, the Government has, until recently, relied on historical production costs. A newer technique, "should cost," considers not what the product has or will cost, but what the product should cost given the normal efficiencies of operation.

An experienced GAO engineer, *Gerard J. Marks*, assigned to a 1971 should-cost study,<sup>1</sup> was able to dispute certain practices that auditors would not ordinarily have questioned. For instance, he questioned the need for a contractor to tear down and rebuild every engine after testing. Since the contractor had demonstrated that he could produce high-quality engines, he could adopt a lot sampling procedure in which he tore down only 1 engine out of every 10.

A second finding was that the plant layout was not conducive to the efficient and economical production of gas turbine engines (in the quantities required by the Government) due to (1) inadequate sequencing of operations, (2) overcrowding of machines, and (3) insufficient material staging areas. Suggestions were made for improving the layout. The savings from making the suggested improvements were estimated at \$3.5 million a year.

Another example of the use of engineers occurred in a review of the effectiveness of grants to construct waste treatment plants for controlling water

pollution.<sup>2</sup> At the time of this review, Federal grants of about \$2.2 billion had been awarded to States, municipalities, and intergovernmental agencies to help them construct more than 11,000 water pollution control projects having a total cost of about \$10 billion.

A shot gun approach was being used to administer this program—grants were awarded on a first-come-first-served basis, with little consideration being given to the possible improvements in water quality. As a result, the benefits from new treatment plants were not as great as they could have been because nearby major polluters—industrial and sometimes municipal—continued to discharge untreated or inadequately treated wastes into the waterways.

To help prove these findings, an engineering firm was awarded a contract to develop a mathematical model and computer program to show the type of waste treatment plants that would be needed to achieve varying levels of water quality in a selected river. This was a cost-benefit study to be used in planning the placement of treatment plants to get the most results from limited funds. (In other words, where would you put the plants to get the greatest benefit if you were only going to spend a limited amount of money on a river?)

A GAO staff member monitored the firm's progress to make sure that the end product would be compatible with

<sup>1</sup>"Application of 'Should Cost' Concepts in Reviews of Contractor Operations" (B-159896, Feb. 26, 1971).

<sup>2</sup>"Examination Into the Effectiveness of the Construction Grant Program for Abating, Controlling, and Preventing Water Pollution" (B-166506, Nov. 3, 1969).

the reporting objectives of the review.

### Use of Actuaries

GAO actuaries played a major role in a 1972 review<sup>3</sup> of the indemnity benefit plan of health insurance for Federal employees. This is the second largest Federal employee health benefit plan, with premiums of over \$200 million a year.

The GAO actuary, *Herbert Feay*, and his assistant, *Ted Gerhardt*, made two studies—one of premium rates and one of contingency reserves. Some of their findings were:

- Premium rates were not established using claims experience for age, sex, and geographical groupings.
- Contingency reserves (ranging from 6 to 23 percent of premiums) were too high.
- There was no need to pay the insurance company and the reinsurers for underwriting risks since there was little or no risk in underwriting the plan.
- Amounts allowed for risk charge and reinsurance expense were too high.

What is interesting here is that, although the last three findings could have been developed without an actuarial study, we had better support for and greater confidence in our findings because of the actuarial studies.

On a current assignment dealing

<sup>3</sup>“Opportunities for Improving Administration of Government-wide Indemnity Benefit Plan of Health Insurance for Federal Employees” (B-164562, May 22, 1972).

with pension costs allocated to Government contracts, we are again being assisted by a member of our actuarial staff, *Ben Gottlieb*. We are reviewing (1) the actuarial methods and assumptions used by 10 contractors in computing annual pension costs and (2) the allocation of these costs to Government contracts.

As in the review of the indemnity benefit plan, the actuarial findings will be merged with the audit findings into one overall report.

### Use of A Medical Doctor

We used a physician to help us in a review to find out whether services paid for by Medicare were actually being provided by supervisory and teaching physicians as claimed.

The hospitals' medical records showed that supervisory physicians at teaching hospitals were charging Medicare on a fee-for-service basis for services that had been furnished in most cases by residents and interns whose salaries were reimbursable to the hospitals under the hospital insurance portion of Medicare.

The Public Health Service helped us support this finding by assigning a medical doctor to work with us.<sup>4</sup> He helped us identify, from patients' medical records, the attending physicians (supervisory or teaching physician, resident, intern, medical student, etc.) and the medical or surgical serv-

<sup>4</sup>This was before the Manpower and Welfare Division hired a medical doctor. (See Gregory J. Ahart's article “The First Year of GAO's Medical Consultant,” *The GAO Review*, Winter 1975, p. 7.)

ices actually rendered. This precluded criticism of our work on the grounds that accountants are not qualified to interpret medical records and, again, gave us greater confidence in the review results.<sup>5</sup>

### Use of An Interpreter

As part of a review of the Bilingual Education Program, we used an interpreter to interview Portuguese-speaking parents of enrolled students. The purpose was to get the parents' opinions on whether the program was preserving their children's Portuguese cultural heritage and language and teaching them enough English to progress academically in regular English-speaking classrooms. The interpreter was employed by a local office of the Veterans Administration which agreed to let her work with us. Interviews were conducted with 10 Portuguese-speaking parents whose views on the program's effectiveness will be included in the report.

### Use of Statisticians

Use of statisticians in GAO is common today. In one review<sup>6</sup> we wanted to assess sanitation conditions in the food-manufacturing industry to evaluate the Food and Drug Administration's efforts for assuring that foods

<sup>5</sup>"Problems in Paying for Services of Supervisory and Teaching Physicians in Hospitals under Medicare" (B-164031(4), Nov. 17, 1971).

<sup>6</sup>"Dimensions of Insanitary Conditions in the Food Manufacturing Industry" (B-164031(2), Apr. 18, 1972).

reaching the consumer are safe, pure, and wholesome.

To obtain meaningful results, a representative sample of companies had to be inspected. Together with a GAO statistician, *Frank Gentile*, we selected a sample of 97 firms in 6 FDA districts covering 21 States. The 97 plants had annual sales of about \$443,000,000 and manufactured and processed such products as bakery products, candy, flour, carbonated beverages, cheese, ice cream, fruits, vegetables, popcorn, and potato chips.

On the basis of the 97 inspections (made by FDA inspectors whom we accompanied), we were able to project that 1,800, or about 40 percent, of the 4,550 plants were operating under insanitary conditions, including 1,000, or about 24 percent, that were operating under serious insanitary conditions. Through the statistical sampling, we were able to show that the sanitation problem was national in scope.

### Use of Agency Inspectors

To be convincing in our findings in the FDA review, we had agency experts do the actual inspections and evaluate how serious the conditions were at each plant.

This report was well received and obtained nationwide publicity. Color photographs of conditions at some of the plants probably added to the report's impact. With the national sample, the use of FDA inspectors, and photographs, the findings and conclusions in this report were well-documented.



## Use of Agency Laboratory

Another review at the Food and Drug Administration dealt with salmonella in meat and poultry. Salmonella is a bacteria that can cause food poisoning. About 2 million cases, half of which can be traced to meat and poultry, occur each year. Here we wanted to find out the extent to which salmonella was present in meat and poultry, what could be done to control it, and whether consumers were aware of the problem and knew how to handle and prepare food to eliminate salmonella.

We bought 200 samples of meat and poultry in 10 metropolitan areas of the country where 23 percent of the population lives. The stores selected were in both urban and suburban areas and included large and small supermarkets and neighborhood grocery stores.

We had the samples analyzed by the FDA laboratory. The results showed that 33, or about 17 percent, of the 200 samples were contaminated with salmonella.<sup>7</sup>

## Use of Gallup Poll

We also used a national polling organization — Gallup — for the salmonella review. We thought that a professional poll would be the cheapest, quickest, and most effective way of finding out whether housewives knew about salmonella and how to

<sup>7</sup> We took a calculated risk on this because, had there been a low incidence rate, the report would not have had much impact. This risk is present, however, whenever a random sample is used.

handle and prepare food to eliminate and not reintroduce it.

The polling organization interviewed a national sample of 816 women; the study results were to be projected to 73 million women 18 years of age and older. The poll showed that (1) 74 percent, or about 54 million, did not know that salmonella is a bacteria which may cause food poisoning and (2) 66 percent, or about 48 million, did not know how to minimize the spread of salmonella within the home.

The audit staff wrote the original five questions to be asked. These were revised on the basis of discussions with the Gallup vice-president and experience from field-testing the questions. The laboratory analysis and the Gallup poll provided well-documented, convincing findings and conclusions. The report received a great deal of national publicity.<sup>8</sup>

## Conclusion

Using experts is not new to GAO. But, as we get into new programs and areas and as auditing continues to evolve, the need for the skills of other professional disciplines will grow. As we experiment more with using experts and integrating their work with ours, we will be able to recognize when they can help and when they cannot.

Care must be exercised in deciding when and how the skills of other professional disciplines should be used. The task should be carefully defined. The work should be designed to ac-

<sup>8</sup> "Salmonella in Raw Meat and Poultry: An Assessment of the Problem" (B-164031 (2), July 22, 1974).

compish part of an audit objective economically done by someone else. that the audit staff is not professionally The results should add documentation qualified to do. In some cases, the and convincing support for the find- task may simply be more effectively or ings and be part of the final report.

### Importance of Responsibility

There is no substitute for responsibility. Responsibility does not mean merely more tasks to do. It does not mean more pleasant surroundings in which to do them. It does not mean more variety. It means giving a person *charge* of what he does. It means holding him, and him alone, accountable for his work; no passing the buck to an inspector. It means the person knows how his work fits into the total job—and he knows that others know it. Thus all his coworkers, each identifiably responsible for their part of the total job, rely on him. He will be respected for doing his work well and blamed for doing it poorly. Human beings thrive on personal and small-group responsibility.

*Clair Vough*

In "Personal Responsibility as a  
Cure for Job 'Boredom'"  
*Supervisory Management*  
March 1975

# The Accounting and Auditing Act of 1950—Its Current Significance to GAO

721539

*1975 marks the 25th anniversary of this law that provided all-important legislative stimulus and endorsement for a major overhaul of the Government's financial management control system. The continuing significance of the principles laid down in the 1950 legislation is reviewed in this article.*

When President Truman signed the Budget and Accounting Procedures Act of 1950 into law on September 12, 1950, he assessed its significance in these words:

This is the most important legislation enacted by the Congress in the budget and accounting field since the Budget and Accounting Act, 1921, was passed almost thirty years ago.

This assessment is still quite valid insofar as the accounting reference in his remark is concerned, even though there have been some additional legislative enactments since 1950 affecting the Federal Government's accounting system.

A separate part of the Budget and Accounting Procedures Act of 1950 is known specifically as the Accounting and Auditing Act of 1950. This part, technically part II of title I, is the subject of these comments.

This law has now been on the books for 25 years. Such a time period is long enough to call for some assess-

ment of its historical significance and its impact on financial management operations in the Federal Government.

In this span of years, Federal Government operations have expanded greatly, not only in terms of dollars but in terms of new programs and activities which it finances or carries out. In 1950, when this legislation was signed, the Federal budget called for outlays of \$43 billion. Today we are talking about budget outlays of nearly \$370 billion. Despite the vast increase in level as well as nature of activities, the basic principles of the Accounting and Auditing Act of 1950 have stood the test of time well, and there is little reason to think that they will not continue to be applicable.

## Reasons for the 1950 Act

Why did we need this legislation 25 years ago?

A major stimulus was the work of

the first Hoover Commission, which delved fairly deeply into the Government's budgeting and its accounting and auditing systems and concluded that major changes were called for.

Some of the important underlying reasons for change in accounting and auditing procedures, including new legislation, are listed below. Any one of these reasons is a long story in itself.

- The outmoded traditional type of GAO audit which, for the most part, was an audit of fiscal documents shipped from all over the country to Washington and other central points.
- The excessive reliance on GAO accounting records and its auditing for regularity of financial transactions and compliance with legal requirements.
- The strong interest of the then Comptroller General, Lindsay C. Warren, in modernizing GAO's operations and the Government's financial system.
- The strong interest also in the Treasury Department in bringing about improvements.
- The progress being made under the Joint Accounting Improvement Program—a cooperative effort of GAO, the Bureau of the Budget, and the Treasury Department.
- The Government corporation audit legislation of 1945 and its impact on the evolution of a more streamlined type of auditing of Government operations.
- The extension of site auditing to nonincorporated Federal agencies

and the adoption by the Comptroller General of a formal comprehensive site audit program in 1949.

### Site Auditing and Agency Management Responsibilities

One of the important provisions of the new law was the authorization to have executive agencies retain their fiscal documents for GAO audit at agency locations rather than require that they be sent to some central GAO location for desk audit. This authorization provided the necessary legal authority for GAO to get away from the centralized desk audit pattern and do its work in the environment where agency operations were carried out.

Coupled with this authorization was the even more important statutory recognition of the basic principle that the primary responsibility for properly controlling the administration and use of Federal funds rested with agency management and not with outside fiscal agencies such as GAO and that the outside auditor should give due regard to how good a job was being done by the agency management in these respects before deciding on what audit work he would do.

The language included in the law to give effect to this latter principle reads:

In the determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control,

- The maintenance of accounting systems and the production of financial records are functions of the executive branch, which must participate fully in the development of systems.
- There must be an audit independent of the executive branch which gives appropriate recognition to internal audit and control. Properly designed accounting systems are a vital factor in the effectiveness of the independent audit.

These premises are now taken for granted and without question, but in January 1949, when they were subscribed to by the above-named officials, they needed clear expression and emphasis.

The 1950 act not only specifically recognized the Joint Accounting Improvement Program but that program was adopted by the Congress as an ongoing need and, as a specific congressional policy, directed that it be continued. The Congress also adopted the basic premise of the joint program as to who was responsible for what insofar as the Federal Government's accounting and auditing were concerned.

- The executive agencies were responsible for having adequate accounting systems designed and maintained in accordance with GAO principles and standards.
- The Treasury was responsible for overall central accounting and reporting for the Government's financial transactions.
- GAO was responsible for independent audit.

Within the three central agencies,

the planning, direction, and operation of the joint program were in the hands of *Walter F. Frese*, Director, Accounting Systems Division, GAO; *Gilbert Cake*, Associate Commissioner of Accounts in the Treasury Department; and *William J. Armstrong* of the Bureau of the Budget.

The Comptroller General felt so strongly about the importance of this program that he located the Accounting Systems Division in the Office of the Comptroller General.

### The Accountant General Controversy

The first Hoover Commission was well aware of the operations of the joint program and its objectives, but it did not have full faith in the cooperative basis on which it was proceeding. It therefore urged the creation of a new official to be on the scene—an Accountant General in the Treasury Department. This official would be responsible for prescribing general accounting methods, practices, and procedures to be followed by all executive agencies and for supervising accounting operations.

This proposal was opposed not only by GAO but by the Bureau of the Budget and the Treasury Department. It was also rejected by the Congress, mainly on the grounds that the Comptroller General, as agent of the Congress, should retain authority to prescribe accounting requirements.

### Impact on GAO

The changes in the system that were

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and related administrative practices of the respective agencies.

With these words the act specifically directed the Comptroller General to evaluate how good a management control system existed in an agency before determining what kind and how much audit work he would do.

The act then proceeded to specifically pin on agency heads just what they were responsible for. The great significance of this legislation was, and is, that these primary management principles had never really been spelled out in law before on a comprehensive, across-the-board basis.<sup>1</sup> The new act specified that executive agency heads establish and maintain adequate systems of accounting and internal control, including internal audit, to govern their financial activities and related accounting, and that their accounting systems be designed and operated in conformity with the general principles and standards of accounting which the Comptroller General was empowered and directed to prescribe.

These basic management principles are more or less taken for granted in the 1970s, and it is easy to forget the earlier climate that prevailed for the conduct of the Government's financial transactions and the accounting for them. Although the transactions were carried out by agency personnel in the first instance and some accounting

<sup>1</sup> Similar principles had been incorporated in the Federal Property and Administrative Sources Act of 1949 for application to the Government's property accounting systems and also in the Post Office Department Financial Control Act which became law in August 1950.

records were maintained, such work was always subject to detailed checking by the ever-present GAO and its large staff. To a great extent, that staff was also engaged in keeping duplicate records to use for checking agency records and performance. This was "control" in the pre-1950 era and most agency management officials and Members of Congress were not overly bothered by it.

### Impact of the Joint Accounting Improvement Program

The 1950 act did much to change that attitude. However, the several interrelated statutory provisions of the law did not just spring out of the blue.

Beginning early in 1948, the Joint Accounting Improvement Program began operations, and it had a couple of lively and progressive years by the time the 1950 legislation was being considered. A most important factor was the basic philosophy on which the joint program was established and was being operated. That philosophy was the forerunner of the principles that went into the 1950 act.

The joint program was a cooperative effort started by GAO, the Treasury, and the Bureau of the Budget—with the strong encouragement of the Senate Committee on Expenditures in the Executive Departments. The Comptroller General, *Lindsay C. Warren*; the Director of the Bureau of the Budget, *James E. Webb*; and the Secretary of the Treasury, *John W. Snyder*, agreed on the following basic premises for their cooperative program.



**PRESIDENT TRUMAN SIGNS THE BUDGET & ACCOUNTING PROCEDURES ACT OF 1950**

- |   |   |   |   |   |  |  |   |
|---|---|---|---|---|--|--|---|
| <b>WALTER F. FRESE</b><br><i>Chief, Accounting<br/>Systems Div., GAO</i>        | <b>FRANK H. WEITZEL</b><br><i>Assistant to the<br/>Comptroller General</i>                          | <b>FRANK L. YATES</b><br><i>Asst. Comptroller<br/>General of the U.S.</i> | <b>CHARLES B. STAUFFACHER</b><br><i>Executive Asst. Director<br/>Bureau of the Budget</i> | <b>ROBERT F. RICH</b><br><i>Member of House<br/>Expenditures Comm.</i>          | <b>KARL E. MUNDT</b><br><i>Member of Senate<br/>Expenditures Comm.</i> | <b>FRANK M. KARSTEN</b><br><i>Chairman<br/>Public Accounts Subcommittee<br/>House Expenditures Committee</i> |   |
| <b>THOMAS A. KENNEDY</b><br><i>General Counsel<br/>House Expenditures Comm.</i> | <b>WALTER L. REYNOLDS</b><br><i>Chief Clerk and<br/>Staff Dir. of<br/>Senate Expenditures Comm.</i> | <b>FREDERICK J. LAWTON</b><br><i>Director<br/>Bureau of the Budget</i>    | <b>JOHN W. SNYDER</b><br><i>Secretary of the<br/>Treasury</i>                             | <b>LINDSAY C. WARREN</b><br><i>Comptroller General<br/>of the United States</i> | <b>HARRY S. TRUMAN</b><br><i>President of the United States</i>        | <b>WILLIAM L. DAWSON</b><br><i>Chairman, House<br/>Expenditures Comm.</i>                                    | <b>EDWARD F. BARTELT</b><br><i>Fiscal Assistant<br/>Secretary</i> |

started before 1950 and which continued with even greater momentum after the law was passed were indeed revolutionary. As for GAO itself, it can be said that few, if any, Federal agencies have undergone such a massive change in leadership philosophy, nature of mission and work operations, and composition of staff as it has in the past 25 years.

Peak employment in GAO because of World War II was almost 15,000 people, reached in 1946 and made up mostly of fiscal auditors and examiners. GAO employment dropped steadily to about 8,600 at the time the 1950 legislation was being considered.<sup>2</sup> The decline continued until reaching a low point of a little over 4,000 in 1966. This vast change in itself is almost unprecedented in Federal agency history.

The reduction in the number of employees after 1950 accompanied the changes in concepts and methods of operation to carry out assigned responsibilities. Penetrating internal studies were made of GAO methods to provide a basis for the Comptroller General to make decisions on needed changes in organizational structure and operating procedures. GAO's evolution to its stature today is due to the contributions and efforts of many persons, including not only those involved in the joint program described above but those GAO staff members who participated in the so-called

Westfall surveys of GAO's operating divisions and offices.<sup>3</sup>

Some organizational units were completely abolished—a courageous action in any agency. For example, the Accounting and Bookkeeping Division was eliminated in 1950. With this action, all of the accounting records being maintained in that division were discontinued. Today, it is almost unbelievable to recall that, up to then, GAO was keeping detailed accounts for appropriations, expenditures, limitations, receipts, public debt as well as personal accounts with accountable officers. In all, maintenance of about 500,000 ledger accounts was discontinued in GAO, and just as important was the elimination of millions of documents that had to be prepared and sent to GAO by Federal agencies to feed this operation that was determined to be unnecessary.

Another major action taken within GAO in 1950 was the abolishment of the Postal Accounts Division and the transfer to the Post Office Department of the detailed accounting and reporting functions up to then performed by GAO. The way for this action was paved by the Post Office Department Financial Control Act of 1950.

Internal reorganizations in GAO resulted in eliminating much unnecessary work. A director of audits (*Ted B. Westfall*) was designated in 1951 to coordinate the work of the then four auditing divisions—the Audit Division, the Corporation Audits Di-

<sup>2</sup> See testimony of *Frank H. Weitzel*, then Assistant to the Comptroller General, in hearings before the Committee on Expenditures in the Executive Departments, U.S. Senate, on S.2054, March 6, 1950, p. 203.

<sup>3</sup> *Ted B. Westfall*, an assistant director in the Corporation Audits Division, was selected by Comptroller General Warren to lead the internal GAO surveys.



vision, the Postal Audit Division, and the Reconciliation and Clearance Division. Early in 1952, these divisions were consolidated into a single Division of Audits with the director of audits in charge.

Probably the most important change, however, was the great shift from detailed centralized auditing of submitted fiscal documents by voucher auditors to site auditing by professionals competent to review agency procedures and test effectiveness of controls without examining endless volumes of documents. In other words, the selective pattern of auditing that had been well developed by independent public accountants for commercial-type audits was carried over to Federal Government auditing, beginning largely with the institution of commercial-type audits of Federal corporations by GAO auditors.

Going along with these functional changes was another type of significant change—the buildup of a professional staff of accountants and auditors, and later, of representatives of numerous other disciplines. In 1952, for example, GAO's professional staff was about 750. It has slowly but steadily increased until today it numbers over 3,600.

### **Expanding Scope of GAO Auditing**

With the gradual move to site auditing and improvements in agencies' controls over their financial affairs, GAO auditors also began about the same time to extend the scope of their auditing beyond matters of regularity of

transactions, legal compliance, and propriety and accuracy of accounting to other matters, such as the efficiency and economy of operations and effectiveness of results. This extension also tended to coincide with the nature of the interests of congressional committees and individual Members of Congress who were more concerned with operating problems (i.e., what was going wrong or what could be improved) than in details of financial operations and accounting problems.

The broadening of GAO's audit scope has evolved into a beacon for other government auditors to follow—not only in other Federal agencies but in State and local governments and even in foreign governments. Crystallization of GAO's current audit concepts culminated in the publication in 1972 by the Comptroller General of the now famous booklet jacketed with the familiar yellow cover and bearing the title, "Standards for Audit of Governmental Organizations, Programs, Activities & Functions."

The underpinning for these concepts, however, goes back to the management control philosophy established in the 1950 legislation, namely, that agency heads are responsible for financial control over the operations of their agencies and that the required GAO audit should deal with the effectiveness of such controls, including the internal auditing, in determining how much detailed auditing, if any, is to be performed by GAO. This is the principle that frees GAO to effectively expand the scope of its auditing to all matters relating to the receipt, disbursement, and application of the

public funds—the comprehensive scope originally charged to the Comptroller General by the Budget and Accounting Act, 1921, that separated the audit function from the executive branch in the first place and created GAO as an independent agency.

Without the statutory and administrative recognition that the basic responsibility for financial control and effective accounting rests with agency management, GAO's audit operations probably would not have expanded so greatly in scope. Now, in selecting from among the Government's vast operations what it audits in depth, it makes judgments as to how it can most constructively contribute to improving Government operations and assist the Congress in its legislative and oversight work. But the selectivity process rests on the underlying assumption that effective management control systems exist in each agency that are designed to assure regularity and propriety of performance, compliance with applicable laws, and adequate accountability so far as financial operations are concerned.

There is recognition, of course, that any of these systems may not always work perfectly. All such systems, however, are subject to detailed GAO review "from time to time" as the Accounting and Auditing Act of 1950 itself specifically provides.

### **GAO's Accounting Responsibilities**

In the meantime, what about the Government's accounting functions? The 1950 act gave the Comptroller

General the power to prescribe principles and standards for executive agency accounting systems rather than detailed systems themselves. This has been done. The first statement was published in 1952. A complete revision of this statement was published in 1965 and, with some minor amendments incorporated since that time, this statement still governs today.

The law also charged the Comptroller General with cooperating with the executive agencies in improving their accounting systems and then formally approving them when he deems them adequate and in conformance with his prescribed principles and standards. In the 25 years that have passed, this process has been far from an easy one and it has had its ups and downs. Changes in Government programs, changes in accounting technology, and changes in management philosophies are among the reasons why many Federal department and agency accounting systems remain unapproved.

GAO's current objective is to approve all executive agencies' systems, insofar as their designs are concerned, by 1980. From then on, it conceives its job as one of continuous review of systems and operations to see how well they are working, whether they can or should be improved further, and whether they remain in conformity with prescribed principles and standards.

### **The Concepts Are Still Sound**

The concepts of the Accounting and

Auditing Act of 1950 are still as sound in 1975 as they were when they were conceived and enacted into law. Those who are concerned with good financial management in Government operations would do well to refamiliarize themselves with this act and its philosophy as a basis for continuing improvements in financial management practices which, in our ever-changing Government, will always be needed.

### **Need for Effective and Efficient Government**

If there was ever a time when the American people needed effective and efficient government in Washington, it is now. There is simply no room for conflicts, rivalries, and overlapping jurisdictions among bureaucracies responsible for dealing with our most dangerous domestic problems since the Depression. Nor is there room for agencies that are unneeded because they have outlived their usefulness. It is essential that Federal agencies cooperate and communicate with one another—and particularly with the American people.

*Senator Abe Ribicoff*  
Chairman, Senate Government  
Operations Committee  
January 17, 1975

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# Congressional Reform: Minority Staffing in the House of Representatives

*As part of the legislative branch, GAO must be aware of any congressional reforms affecting its working relationship with the Congress. One such reform which will affect GAO's future role as an information resource is the Congress' recent adoption of minority staffing provisions. This article deals with the rationale behind minority staffing reform and the manner in which it was handled in the House of Representatives.*

The operation of the committee system, particularly in the House of Representatives, has led to the observation that the Congress is composed of "little legislatures"<sup>1</sup> that jointly meet from time to time to ratify each others' decisions. For instance, it is uncommon for the House to turn back or drastically alter a bill that comes to the floor from a legislative committee. As Woodrow Wilson said, "Congress in committee is Congress at work."

To get the valid and reliable infor-

mation necessary for committees to do their work effectively, Congressmen have to rely heavily upon the professional staffs which have developed since the inception of the permanent standing committee system in the 19th century. These professional committee staffers have a considerable impact on public policy because they:

- Do the preparatory work for public hearings and investigations.
- Select and analyze the information used by committees.
- Exert considerable influence on the drafting of legislation and

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<sup>1</sup> George Goodwin, Jr., *The Little Legislatures: Committees of Congress*, University of Massachusetts Press, 1970.

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Mr. Mullen joined GAO as a management analyst in 1974 after serving as a graduate student assistant in the Office of Federal Elections. He received a B.A. degree in political science from Blackburn College and has completed course requirements for an M.A. degree from American University. Much of the research for this article was conducted while the author was a congressional intern in the office of Representative John B. Anderson (R-Ill.) and also for a graduate course. Mr. Mullen is a member of the American Political Science Association.

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committee reports.

- Serve as a center for communication for committees in their dealings with other House and Senate committees, GAO or other congressional agencies, and the executive agencies over which the committees have jurisdiction.
- Facilitate the structural change-over from one Congress to the next.

A professional staff, therefore, is vital to the optimum performance of the committee system.

The committees, of course, never function impartially; they reflect political divisions. These divisions, however, never were effectively manifested in the staffing process. In most committees, staff appointments were made by the committee chairman and tended to reflect the partisan affiliation of the majority party. Any minority staff appointments made were subject to the chairman's approval. In many instances, only the chairman or other members of the majority party had access to committee staff services to develop partisan arguments. Minority members, for the most part, had to use other sources to develop their committee-related work.

The concern of some Congressmen that (1) minority party members of committees did not always get their fair share of professional staff assistance and (2) minority members had little influence over the selection and assignment of staff personnel led to considerable pressure within the Congress to provide permanent partisan professional committee staffs.

### Provisions for Minority Staffing Prior to Reform

Prior to reform, the rules of the House of Representatives provided for "fair consideration" of minority staffing needs. The provisions for minority staffing in the 93d Congress were as follows:

Standing committee staff—Rule XI, Clause 29, provides each standing committee with six professional staff members and six clerical staff members. Of these, two professional and one clerical shall be selected by and assigned to the minority party members. [one-fourth of the total staff]

Investigatory Staff—Rule XI, Clause 32, provides that each standing committee shall submit expense resolutions each year providing funds for the payment of expenses of that committee—including staff.

Paragraph C of Rule XI, Clause 32, provides that the minority party on any such standing committee shall receive fair consideration in the appointment of committee staff personnel pursuant to each such primary or additional expense resolution.

Most committee staffs well exceeded the number of members provided for in the rules, as indeed they should have if they were to perform effectively. Staffs provided for minority members, however, had not grown enough to meet the percentages existing under the above rules. The minority (Republican) party constituted 44 percent of the House's membership during the 93d Congress, but only one committee allocated one-third of its funds and staff for the minority. "Fair consideration" resulted in the fact that some of the committees which operated on a partisan basis assigned as low as 3 percent (House Administra-

FIGURE 1

Employment Statistics for  
Standing Committees of the 93d Congress<sup>2</sup>

	<i>Number of employees</i>	<i>Majority employees</i>	<i>Minority employees</i>	<i>Minority employees as percent</i>
Total	849	743	106	12
Statutory*	315	260	55	17
Investigatory	534	483	51	10

	<i>Total salary**</i>	<i>Majority salary**</i>	<i>Minority salary</i>	<i>Minority salary as percent</i>
Total	\$1,414,980	\$1,235,611	\$179,369	13
Statutory*	636,206	528,548	107,658	17
Investigatory	778,774	707,063	71,711	9

Source: Republican Research Committee

\*Statutory employees and funds were not affected by the rules change.

\*\*For 1 month.

<sup>2</sup> On some committees, majority staffs serve members of both parties by performing general services. Thus, the underrepresentation of the minority is not as severe as the figures suggest.

tion), 6 percent (Foreign Affairs), or 7 percent (Ways and Means) of personnel to minority members. The Armed Services and Official Conduct Committees did not divide their staffs on a partisan basis and, as a result, no staff members were listed as being assigned to the minority. (See fig. 1.)

The minority staffing situation caused Representative Richard Bolling, a Democrat from Missouri and Chairman of the Select Committee on Committees, to appeal for increased minority staffing. In one of his books he said:

The committee needs full and factual

information. There is a view that this may be provided by creation of a nonpartisan staff at the service of members of both parties. Committee work, however, with its jockeying for partisan advantage, does not lend itself to this antiseptic situation, even with the best of intentions. The minority party is slighted. Its busy members do not have available, at the committee level, adequate numbers of professionally trained people who share the same angle of political vision. Policy is made, in large part, on political differences. Real policy differences require sound information.<sup>3</sup>

Without committee staff support,

<sup>3</sup> Richard Bolling, *Power in the House*, E. P. Dutton & Company, 1968, p. 264.

minority party members were left on their own to find the research material necessary to challenge the position of the majority party, both in committee and on the floor of the House. Their constituents, therefore, were deprived of the effective representation they were entitled to. Indeed, according to most staffing reform proponents, the lack of minority staffs' alternative suggestions resulted in legislation that may not have been as good as it could have been if the minority opinion had been given more consideration.

For instance, Albert Quie had stated:

Good minority staffing provides a somewhat independent analysis of issues; perhaps a different perspective on what is appropriate legislation; a separate liaison for all our constituencies and a natural stimulus for generating the best legislation with the best possible analysis and justification. I believe our talented minority staff helps the majority staff to do better than they might otherwise be inclined to do. Both knowledgeable competition and cooperation is healthy. The result is a higher quality of legislation which eventually goes to the President and about which both Democrats and Republicans can feel proud.<sup>4</sup>

### The Fight for Minority Staffing

The Legislative Reorganization Act of 1970, as offered on the floor, contained language identical to the rules in effect during the 91st Congress. The House, however, amended the act

to guarantee at least one-third of the staff investigative funds for the minority. That amendment was offered by Representative Frank Thompson, a Democrat, and was cosponsored by a large, bipartisan group of Representatives. The Thompson-Schwengel amendment struck out "and shall receive fair consideration in" and inserted "if they so request, to not less than one-third of the funds provided for." Thus, paragraph C of rule XI, clause 32, read: "The Minority party on any such standing committee is entitled, if they so request, to not less than one-third of the funds provided for the appointment of committee staff personnel pursuant to each such primary or additional expense resolution." The amendment passed by a vote of 105 to 63.

At the beginning of the 92d Congress, the House Democratic Caucus bound its membership by unit rule to delete the one-third minority staffing provision from the rules of the House. House Resolution 5, drafted by the Democratic Caucus, provided that the rules of the 91st Congress, together with all applicable provisions of the Legislative Reorganization Acts of 1946 and 1970, be adopted as the rules of the 92d Congress. The provisions for minority staffing were an exception. The language of the Thompson-Schwengel amendment was replaced with the former "fair consideration" language of paragraph C, and rules were adopted on a 226 to 156 straight party-line vote, with Representative Thompson voting "present."

Prospects for restoring the minority staffing reform looked good at the

<sup>4</sup>Select Committee on Committees, "Committee Organization in the House," House of Representatives, 93d Congress, vol. 1, part 1, 1973, p. 298.

start of the 93d Congress.<sup>5</sup> Although the Republicans had only picked up about a dozen new seats, the Democratic Caucus was being rocked by a strong new reform movement which should have meant greater sympathy for the minority staffing cause. Representative James Cleveland (R-N.H.) and Representative John B. Anderson (R-Ill.) introduced House resolution 167 to permit the minority party on a committee, upon request, to receive "up to" one-third of a committee's investigative staff funds. This was a somewhat milder version of the 1970 amendment which would have required "at least" one-third of the funds.

The drive to reinstate the minority staffing reform in the 93d Congress was joined by Common Cause chairman John Gardner and consumer advocate Ralph Nader. At a highly publicized press conference on February 5, 1973, Anderson, Cleveland, Gardner, and Nader joined Minority Leader Ford and minority whip Arends to try to build up support for the staffing reform proposal. Gardner and Nader appealed to the public to petition their representatives, especially if they were Democrats, to support the reform.

A strategy was formulated to offer the minority staffing proposal as an amendment to a routine committee authorization, either in committee or on the floor. On February 27, however, the Rules Committee killed the Anderson-Cleveland proposal. By an

8 to 4 partisan vote, the Committee acted to bring resolutions authorizing travel and investigation activities of nine committees to the floor under a closed rule. This prevented the offering of the minority staffing amendment on the floor without the defeat of the previous question. It is ironic that the Democratic Caucus had just adopted a resolution which narrowly restricted the use of closed rules.

When the authorization for the Banking and Currency Committee came to the House floor on February 28, Congressman Anderson urged defeat of the previous question so that the minority staffing resolution could be offered. Congressman Richard Bolling was in charge of managing the (closed) rule on the floor and thus had to appeal for the adoption of the resolution without the minority staffing amendment.

The effort to defeat the previous question failed on a vote of 204 to 191, with 14 Democrats siding with the minority staffing cause. Congressman Bolling pointed out that some key language from the 1970 Legislative Reorganization Act was missing from the proposal offered on February 28. He stated that the 1970 reform had some provisions which went to the crux of the situation. Speaking of the 1970 Legislative Reorganization Act, he said, "When it gives to the minority an absolute right to select one-third, it reserves to the majority of the committee the right not to retain in its employ people who are of a certain kind."<sup>6</sup>

<sup>6</sup> *Congressional Record*, Feb. 28, 1973, p. H 1215.

<sup>5</sup> I wish to thank Donald Wolfensberger, legislative assistant to Congressman John B. Anderson, for the use of his file on the minority staffing floor strategy during the 93d Congress.



A compromise was drawn up to read:

32 (c) The minority party on any such standing committee is entitled upon request of a majority of such minority, to up to one-third of the funds provided for the appointment of committee staff pursuant to each primary or additional expense resolution. The committee shall appoint any persons so selected whose character and qualifications are acceptable to a majority of the committee. If the committee determines that the character and qualifications of any person so selected are unacceptable to the committee, a majority of the minority party members may select other persons for appointment by the committee to the staff until such appointment is made. Each staff member appointed under this subparagraph shall be assigned to such committee business as the minority party members of the committee consider advisable.<sup>7</sup>

On March 7, 1973, the House began considering a resolution which would have amended rule XI to provide for more open committee meetings. Although the bill came to the floor under an open rule, the parliamentarian informed the Republican leadership that an attempted minority staffing amendment would be ruled as not germane even though rule XI dealt with minority staffing provisions. Thus, there was another procedural move to defeat the previous question so that the minority staffing amendment would not be ruled out of order. The new minority staffing bill, with the Bolling compromise, was to be offered as an amendment to the open committee resolution if the previous question were defeated. Congressman Bolling,

<sup>7</sup> The language following the first sentence in this compromise was identical to rule XI, clause 29 (a) (2) which applied to professional minority staff during the 93d Congress.

however, stated that he was not in a position to support the minority staffing move. On this occasion, defeat of the previous question was lost by only one vote, 197 to 196, with 17 Democrats voting with the Republicans. The provision for more open committee meetings was later passed and was a noted reform enacted during the 93d Congress. The minority staffing proposal was never voted on directly on the House floor.

Figure 2 compares the February 28 and March 7 votes on the previous question.

**FIGURE 2**

**Previous Question Votes  
(Minority Staffing Issue)**

*February 28, 1973*

	<u>Yes</u>	<u>No</u>	<u>Present</u>	<u>Absent</u>	<u>Total</u>
Democrats	204	13	1	21	239
Republicans	0	178	0	14	192
Total	204	191	1	35	431

*March 7, 1973*

	<u>Yes</u>	<u>No</u>	<u>Present</u>	<u>Absent</u>	<u>Total</u>
Democrats	197	17	1	26	241
Republicans	0	179	0	12	191
Total	197	196	1	38	432

It is interesting to note that six of the Democrats who voted for defeat of the previous question on February 28 did not vote for it on March 7. A possible reason was that the open rule issue was not the same as on February 28. Even though the net gain of Democrats for the second vote was only four, actually nine new Democrats were picked up (taking into ac-

count the loss of six). Therefore, if we assume that all Democrats who supported defeat of the previous question one or both times were sympathetic to the minority staffing cause, the actual total would be 23. However, the six lost could have been voting their consciences on open rules and not necessarily voting for minority staffing. It is possible that many more sympathetic Democrats did not go along with the proposal either time because of the extraordinary manner in which the issue was raised (not being reported from a committee) and because they did not want to irritate their leadership.

After the March 7 vote, many within the Republican leadership felt that the minority staffing issue was dead for the remainder of the 93d Congress. Provisions for minority staffing, however, were included in the recommendations for general committee reorganization formulated by the Bolling-Martin Select Committee on Committees (H. Res. 988). The recommendations were for a major realignment of committee powers and, as a result, were strongly opposed by the Democratic chairmen of the committees affected. The minority staffing proposal was included as one of several resolutions that were especially appealing to Republicans in an effort to elicit their support against expected fierce opposition from these senior Democrats.

Opponents of the Bolling-Martin recommendations sponsored their own reorganization committee which was chaired by Representative Julia Hansen (D-Wash.). Several Republicans

were sympathetic to the Hansen resolution but indicated that they could not support it unless provisions for minority staffing and a ban on proxy voting were included. As a result, these reforms were added to the Hansen substitute plan (H. Res. 1248) on separate amendments in order to erode some of the Republican support for the Bolling-Martin proposal. The strategy succeeded. On October 8, 1974, the House adopted House resolution 1248 by a vote of 203 to 165. Fifty-three of the 151 Republicans present, along with 150 Democrats, voted for the Hansen plan. The House then passed House resolution 988, containing the Hansen plan as an amendment, by a 359 to 7 vote.

The passage of House resolution 988, as amended by the Hansen plan, increased each committee's permanent staff to 18 professionals and 12 clerks. The minority party was granted control of one-third of the investigative funds. The ranking minority member of each committee is responsible for choosing most of the minority staff. Each ranking minority member of a subcommittee is able to retain one professional staff member through the use of the investigative funds allotted to the minority party.

### Conclusions

Any lack of adequate staffing, whether majority or minority, results in the violation of two different normative theories of congressional politics. The first theory, "party responsibility," assumes that opposing parties should be able to present clear-cut programs to the electorate. The second theory

states the need for independence and even competition between the legislative and executive branches. For this competition to exist, the Congress must have parity of informational capacity with the executive branch. This is particularly true when the minority in the Congress is not in control of the executive branch (i.e., 1961-68). Parity cannot exist if there is not enough staff support to get information for the minority committee members. This lack of information results in less than optimal performance by the entire committee, since the debate is not as intense or well-informed as it could be in true "constitutional balance" or "competitive party" models. The result is an inferior informational position for the legislature vis-a-vis the executive branch.

It goes without saying that Democrats and Republicans have different viewpoints on many issues of vital importance. For the maintenance of a true adversary system, differing viewpoints must be presented as fully and as forcefully as possible. This is required so that all arguments can be fairly evaluated and decisions based upon as complete and accurate information as possible. The minority can not fulfill its responsibility to present its viewpoint (and thus represent its constituents) unless it is adequately staffed with a sufficient number of professionals.

Although staffs cannot be microcosms of the committee membership or the full House, attempts are now being made to have some "devil's advocate" staffers in order to guarantee an ideological diversity in the com-

mittee's deliberations. All committee members will now have a right to the use of adequate professional committee staff that is best able to pursue the individual member's ideological viewpoint. Indeed, on committees where ideological splits are most evident, it may even be advisable for the majority (members and staff) to encourage the presentation of opposing viewpoints. At first glance, this may seem to be against the majority's own best interest. In the long run, however, better legislation will result and the committee system will be a more legitimate and viable institution.

The minority staffing reform means that, in the future, House committee staffs will be provided a better opportunity to develop and present their views. A committee staff responsible only to the majority party was more likely to result in important technical or political information being overlooked. As a result of the reform, more thoughtful deliberation will be a necessity.

The Congress has done much in recent years to upgrade its informational capacity, including expanding the roles of GAO and the Congressional Research Service and establishing several new congressional agencies. The minority's increased use of these agencies will enhance their already expanded roles. Much of GAO's work requires close contact and good working relations with committee staff members. As a result of the reform, GAO will be required to work even more closely with the professional staffs of both parties in order to develop the technical information neces-

sary to support possible legislative alternatives. Perhaps the most recent change in GAO policy which reflects this role is the requirement that copies of unrestricted GAO reports be sent to the ranking minority members of committees and subcommittees whenever copies are sent to the chairmen.

### **Need for Disclosure**

The greatest safeguard to economy and efficiency in the expenditure of public moneys and the preservation of the trust and confidence of the people in their Government is the utmost publicity in all the fiscal transactions in which representatives of the United States may be engaged.

Annual Report of the  
Comptroller General of the  
United States, 1928

## Evolution of a Species: The Traveling GAO Wife

*In the tradition of Charles Darwin, a new species has developed in the midst of the General Accounting Office. A member of this species writes her views of this evolution.*

The Budget and Accounting Act of 1921 created the U.S. General Accounting Office, "Watchdog" of the Federal Government. With this creation came, in time, the evolution of a species known as the traveling GAO wife, "Watchdog" of the Federal watchdogs.

The evolution process has resulted in the 1975 GAO wife enjoying more privileges and assuming greater responsibilities than her predecessors. She has emerged as a "wheeler-dealer" in the game of big business. While her husband works on congressional budget appropriations, she triumphs over a supermarket manager about an out-of-state check. While he deals with no-fault insurance, she tackles a no-fault laundromat and can decode the instructions on *any* washer and dryer.

When recruiting a GAO wife, husbands-to-be may promise travel to distant and exotic places. Little does

the wife realize that he means places like Sopchoppy, Florida; Ty Ty, Georgia; and Chalk Level, Tennessee. As a result of this travel, GAO wives can give explicit directions to any place in any such "major" city in the region. And, if they're not familiar with a certain city, they can turn to their complete set of road maps, provided by visits to numerous State welcome centers.

### Darwin's Fittest

The GAO wife follows in the tradition of Charles Darwin's theory of "survival of the fittest": the meek, weak, and timid soon falter; the "fittest" reign supreme.

Even the fittest, however, can have difficulty in battling the boredom of four, blank walls in a motel room, the repetition of restaurant menus (ground sirloin, baked potato or french fries,

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Mrs. Puett is the wife of management auditor John Puett and for 2 years has traveled with her husband in the Atlanta region. She is a graduate of Western Carolina University in Cullowhee, North Carolina, with a B.S. degree in psychology and a B.A. degree in German.

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cole slaw or salad, choice of dressing) and the subtle changes in body chemistry that result from changes in drinking water.

#### **Mentally Fit**

Of all species, however, the GAO wife seems to be the most stable mentally. She has a calculating mind and calm approach to touchy situations. She is fiercely independent and quick to adjust to new surroundings, new people, new supermarkets, new laundries, new service stations, new stores, new landladies, etc.

One threat to her sound mental health is the apparent loss of identity known as the "add'l. pers. complex." This condition derives its name from

the notice on motel doors reading "\$12 single, \$4 each add'l. pers." Is this extra charge for the detergent required to wash an extra towel and both halves of the bedsheets? For the second plastic cup? Perhaps for furniture polish to remove the second set of fingerprints from the television set?

Common symptoms of the "add'l. pers. complex" are frantic dirtying of all the towels, mussing the other bed, drinking from all the plastic cups, and overworking the switchboard operator (unless the notice on the door also reads "15¢ each local call"). As the complex progresses, victims have been observed stuffing their suitcases with stationery bearing the motel letterhead, tiny bars of soap with which it

is impossible to bathe, and fly swatters in an assortment of colors, obviously trying to get their add'l. pers.'s worth!

### Physically Fit

After a year of travel, the GAO wife learns that there are few insurmountable obstacles. She can fight city halls, major department store chains, utility companies, and apartment managers with calm in her eyes and survival in her heart. Why? Because she is physically fit. Traveling to 20 locations in 5 months (for the record, that is 1 week per location) certainly contributes to well-toned muscles and a strong heart. Back seats and trunks must be unloaded, suitcases unpacked, and, at the end of the week, it's all done in reverse. Of course, first-floor rooms are out of the question.

The country's energy crisis has done much to promote my physical fitness. A short drive to the nearest quick market is now a short walk. That ride into town has become a walk to the bus stop. Sightseeing that was once done from an automobile is now done from a rented bicycle.

During the peak of last year's gasoline allocations, the "early to bed, early to rise" adage was certainly a fitting one. Rising at 6 o'clock, I would grab a newspaper and a cup of coffee and watch the sun rise over the gas pumps, its golden rays reflected romantically on the 60-cents-per-gallon sign.

All this exercise made me healthy; my experiences have contributed to my wisdom; wealth is debatable.

### Field of Management

The GAO wife has a good mind for management, especially in the areas of time and space. A great deal of expertise is required to pack all one's belongings into the trunk of a car, find room for the souvenirs from Disney World, and still be ready to leave the audit site at 5 o'clock.

An excellent test of management comes when motel checkout time is 12 o'clock and the husband doesn't get off work until five. Shopping is normally an easy pastime. But when there are 5 hours to kill, it becomes a chore. How many times can you look at the same furniture or clothes before their appearance becomes permanently etched in your mind? Three trips around a mall and the fourth can be done blindfolded. And, after the third visit to a store, the sales clerks eye you suspiciously as if you were "casing the joint"! By 5 o'clock, shopping has become an ugly word.

### Always a GAO Wife

Don't think we're complaining, though (not too much, anyway). We're a unique group with exceptional opportunities to live on the beach and in the mountains, to splash in the Atlantic in April and the Gulf of Mexico in August. We have taken a firm grip on these opportunities, and, despite our threats to resign from the job, we enjoy this life.

We have evolved and will continue to do so. But no matter where our evolution leads us, at heart we will always be GAO wives.

# Program Evaluation as an Integral Part of Public Policy

*A discussion of the role program evaluation plays in formulating and implementing public policy.*

All levels of government badly need more and better evaluations as a guide to improving public programs and devising new policies to produce more desirable results.

This need is especially apparent today. Urban renewal has torn down more housing than it has replaced, without finding homes for those displaced; the welfare system has encouraged husbands to abandon their families; schools have not educated the young to assume responsible roles in society. The ailments of the city—the heightened racial tensions; the many square miles of slums and sprawl; the disorderly, uneconomic, and antisocial patterns of urban development and land use; the rise in crime—still persist.

The Congress, as well as the bureaucracy, “grapples” with these problems instead of managing them. Why? Has government become so complex that it is unmanageable, or are we just not

informed enough to deal with the problems? I think the latter.

This lack of information is the result of a failure to formulate a comprehensive conceptual framework for developing a complete set of programs; a failure to diagnose the major economic, political, social, and institutional dimensions of problems; and a failure to systematically evaluate programs aimed at solving the Nation’s ills.

This paper will focus on the evaluation function, pointing out the gaps and shortfalls, as an integral part of the decisionmaking process.

## Current State of Affairs

In recent years, a great percentage of the Federal budget has been allocated to public programs for meeting social needs. Public aspirations for more social programs and for more effective programs are increasing. Yet, dissatisfaction with these programs is wide-

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Mr. Rosensteel is a supervisory management auditor in the General Government Division, Intergovernmental Relations Group. He holds a B.S. degree in economics from Mount Saint Mary’s College, Emmitsburg, Maryland, and is currently working on a master’s degree in public administration at American University. Mr. Rosensteel joined GAO in June 1970.

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spread because of their fragmentation and apparent ineffectiveness. Similarly, the burdens of heavy taxation and inflation intensify public demands for a leaner and more efficient bureaucracy.

Even though we have many social programs, their effectiveness in helping the disadvantaged is unknown. We have not had much success in identifying and measuring the relative distribution of problems. We do not know who benefits, how much, through which programs, or how different programs can be produced most effectively. There is a lack of information concerning the individuals affected by a program over a period of time, and a failure to identify the interrelationships among problems. Once, it was enough to know that so many Federal dollars financed the construction of so many homes; now there is a concern over secondary impacts, such as the effects of construction on a community and the environment.

Also, programs are not organized to facilitate the investigation of their effectiveness, nor are they designed to allow for comparisons of their benefits, because they lack adequately defined criteria of program effectiveness. This can be attributed partially to the fact that the typical Federal program has multiple objectives and partially to the fact that objectives are vague—not defined in measurable terms. However, most of the absence of evaluation criteria is due to agency officials' failure to adequately define their objectives and the Congress' failure to prescribe such criteria.

To insure that public programs meet the needs of society, it is necessary to

analyze their consequences—that is, to measure their successes and failures in meeting the Nation's goals. Program evaluation provides this measurement and therefore provides the basis for making more rational, systematic decisions about continuing, modifying, or eliminating public programs.

Program evaluation describes the status of a system and assesses the effects of its operations in terms such as cost benefits or goal attainment. It provides feedback that can lead to program improvement. It assesses whether the program is being carried out in accordance with policy prescription and whether the use of program resources is efficient in comparison with alternative means of achieving the same or similar objectives.

#### **Efforts to Improve Decisionmaking**

Progress has been made in improving the whole Federal decisionmaking process. The following section will examine the various legislative and administrative efforts to improve the bases upon which decisions are made.

Most efforts to evaluate programs or organizations have been primarily concerned with efficiency—productivity measured in terms of input-output relationships—or with measuring the use of resources.

The programing, planning, and budgeting system (PPB) was implemented in the mid-1960s in an effort to move organizations towards measuring effectiveness. It is a system for making as explicit as possible the costs and benefits of alternative programs designed to meet a particular goal. It

was designed to encourage people to use its information systematically in formulating, developing, and implementing public policy.

The performance management system, developed by OMB for assessing results of Federal domestic programs, embodies the principles of management by objectives and accountability for program results. In this system, program goals are first established and then are reduced to the operating program objectives. Once the program objectives are established, performance measures are defined that are related to the program objectives. These performance measures deal with the extent to which program goals are being met and the progress being made in achieving the operating program objectives. In addition to these effectiveness and efficiency measures, the system provides accountability by clearly identifying the individual responsible for achieving the objective.

A major initiative recently launched by OMB is to identify major program objectives of Presidential interest among the major Federal agencies and to develop a routine system for tracking their attainment. This process, better known as management by objectives, concentrates on improving performance and increasing productivity by sharpening the management function of planning, controlling, and directing. In essence, this process directs work efforts toward predetermined goals by setting objectives and making progress reviews.

OMB has taken steps to expand the coverage of its Circular A-44 to embrace the concepts of efficiency and

effectiveness measurement. The intent of the expanded circular, entitled "The Management Review and Improvement Program," is to institutionalize a management system for measuring effectiveness by requiring each department and agency to establish continuing, systematic review and improvement programs at all levels within the organization.

Under the Legislative Reorganization Act of 1970, the mandate of the Congressional Research Service (CRS) was expanded in recognition of the Congress' great need for help in making policy analyses. CRS' traditional services to the Congress include:

. . . background reports on public and legislative issues; pro and con analyses of bills, studies of alternative proposals for solutions of national problems; legal opinions; surveys of court decisions; spot factual information; newspaper searches; assistance in preparing draft statements; translations; legislative histories; . . . bibliographies; tabulations of statistics; consultations with subject specialists. . . <sup>1</sup>

Under its new and expanded responsibilities, CRS assists the Congress by providing (1) lists of subject and policy areas the Congressmen may wish to explore in greater depth, (2) current and concise information about current legislative issues, and (3) identification, analysis, and discussion of emerging public policy issues with committees. In addition, it has developed computer programs to analyze the economic impact of alternative

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<sup>1</sup> Lester S. Jayson, Director, Congressional Research Service, Statement Before Joint Committee on Congressional Operations, Committee on Congressional Operations, May 16, 1974, pp. 5-6.

fiscal and monetary policies.

Pursuant to the Legislative Reorganization Act of 1970, the Congress gave GAO the responsibility for evaluating the impact of Government programs. Although GAO has long construed the Budget and Accounting Act of 1921 to include this authority, the 1970 act made this authority quite explicit.

Other efforts to improve the bases for decisionmaking include the establishment of the Office of Technology Assessment and the joint project currently being conducted by GAO, OMB, and the Civil Service Commission to measure productivity in the Federal sector of the economy. The newly created Office of Technology Assessment will provide the Congress with the expertise to evaluate specific technological problems. The Federal productivity indices being developed will provide the Congress with measures of the Federal sector's efficiency.

In the past few years, the Congress has begun to request evaluation of certain major programs, often incorporating requirements for program evaluation into the authorizing legislation. The Economic Opportunity Act of 1964 contained no references to evaluation requirements for OEO programs. However, in the 1967 amendments to the Economic Opportunity Act, the Congress emphasized the need for careful evaluation of all OEO programs.

GAO's November 1972 report<sup>2</sup> on

<sup>2</sup>"Budgetary and Fiscal Information Needs of the Congress" (B-115398, Nov. 10, 1972), p. 8.

congressional information needs stated that there was a requirement "... to easily obtain ... information essential to the assessment and impacts of Federal programs and projects." Specifically, what was needed in this area was per-unit program costs, cost-benefit analyses, outputs, and program effectiveness measures.

Congressional needs in this area are further emphasized by the 22 acts passed and the 5 bills introduced between fiscal years 1968 and 1972 that included specific program analysis requirements.

### Need for Program Evaluation

An important aspect of the program management process is to assess performance and accomplishments. Evaluation involves identifying, measuring, and comparing program results with established program objectives. Evaluation also includes comparing operating program results with the estimated results of alternative approaches.

GAO's previous evaluations of public programs support the Urban Institute's assertion of the importance of program evaluation:

... two factors must be kept in mind when developing and carrying out Federal programs; any course of action has many possible outcomes and any act has inherent error associated with it. We cannot predict with certainty which results will follow from particular policies, nor should we be confident that policy implementation will conform to plan. Both factors imply that early determination of effects is necessary in order to meet and possibly redirect, program goals. The limited resources available to meet grave social needs and the significant but largely unpredictable

able impact of federal domestic policies require timely feedback about both positive and negative effects from on-going programs to assure productive program planning and management.<sup>3</sup>

The point to be made here is that uncertainty about the effects of public programs makes it difficult, if not impossible, to plan efficiently or to provide efficient funding of future programs. Program evaluation makes possible more objective judgments on the economic and social costs and effects of public programs. These judgments can be used as guides for allocating resources and for making major policy decisions as to which projects, program strategies, and techniques are best.

### Weaknesses in Program Evaluation

This section will examine what we have learned from evaluating public programs, show the importance of evaluation, and point out some of the weaknesses in evaluation.

The difficulty in identifying and measuring the impact of Federal programs is, in some instances, the result of vaguely defined program goals and criteria in the authorizing legislation. Unless goals are precisely stated, there is no standard against which to measure the direction of a program or its rate of progress.

For example, under the Area Re-development Act, an "economically depressed area" was not defined. Was it

an entire country? A labor market as a whole? Depressed pockets in a labor market, such as part of a county?

In addition, the OEO special impact programs in Los Angeles and in the Bedford-Stuyvesant area of Brooklyn created some jobs but no noticeable economic uplift. Were these programs successful? No one knows because criteria on what constituted success was lacking.

The Congress, HEW, and the Department of Labor have not established specific criteria to assess the effectiveness of social services in helping the disadvantaged reduce their dependency on welfare. Is the goal of social service legislation reached if 4 percent of the participants in the aid to families with dependent children program obtain employment and no longer need welfare? Would it require 20 percent? No one is certain.<sup>4</sup>

An inadequate data base hinders the evaluation function. For example, a lack of information precluded the effect of social services on welfare recipients from being assessed. In commenting on the growth of the aid to families with dependent children program, a Senator said:

... For years beyond 1973, Congress must undertake an honest assesment of this program's worth. There is no doubt that the threat posed by the vastly increased spending for social services is a very serious problem; but perhaps more serious is the almost *complete lack of information as to how this money is spent, because without such data we have no way of knowing*

<sup>3</sup> Wholey, Scanlon, Duffy, Fukumoto, Vogt, *Federal Evaluation Policy—Analyzing the Effects of Public Programs*, The Urban Institute, Washington, D.C., 1970, p. 29.

<sup>4</sup> Comptroller General's report to the Congress, "Social Services: Do They Help Welfare Recipients Achieve Self-Support or Reduced Dependency?" (B-164031 (3), June 27, 1973), p. 9.

*whether our money is wasted or spent soundly.*

At this time, there is no single person or agency who knows how many State programs are being financed under social services; similarly, nobody knows exactly what the State programs are. And, as many Senators might suspect, since we do not know how many or what kind of programs are being financed, we have no idea how well the social services program has achieved its stated goal of keeping persons off welfare.<sup>5</sup>

Since an adequate data base is the key baseline for post-testing and evaluation, data should be collected according to a design based on what is expected to be done with the data. Some of the impediments to evaluating the Model Cities Program were too much data, too little data, and incomparable data.

The emphasis of evaluation policy has been vertical; that is, particular sectors of the economy, such as transportation, energy, agriculture, and education, have been treated as though they are discrete. This emphasis neglects the interdependence of programs and activities. As a result, we are ignorant of a problem's institutional dimensions and cannot evaluate program results with any certainty. For example, we cannot successfully deal with the poverty problem without successfully dealing with the complex network of unemployment, poor housing, poor health services, and poor education, all of which act upon the programs designed to deal with poverty. The problems inherent in ameliorating poverty would be substantially reduced if vertical evaluation

were supplemented by parallel, horizontal evaluation.

For example, in a review of the manpower training programs in Appalachian Kentucky, GAO noted that several of these programs were operating at cross purposes. While Federal funds were being used to improve the economic conditions of an area, other program funds were being used to indirectly drain the area of its most important economic resources—the younger and more talented citizens—by training them for jobs that could best be obtained only by moving away.

Another difficult problem ensues when programs are funded by more than one Federal agency with similar objectives. Since an overall program coordinator is lacking, programs tend to compete with, rather than complement, each other. For example, until the enactment of the Comprehensive Employment Training Act of 1973, there was a proliferation of manpower training programs, each with its own funding source and eligibility requirements. Although each program was supposed to serve a distinct client group, many persons in need of training could qualify under several programs because of the often broad guidelines on eligibility. In the District of Columbia, there were 17 Federal manpower programs, funded by 5 Federal agencies, providing similar job training and employment services to the same group of District residents. So,

Until large-scale, serious cross-program evaluations are conducted, we simply will not have definitive answers on the relative impact of programs which have similar

<sup>5</sup>*Ibid.*

objectives.<sup>9</sup>

However, most programs are not designed with evaluation in mind. For example, consider the social service programs for reducing dependency of the disadvantaged on public assistance. These programs, all having the same objective, have such a hodge-podge, fragmented delivery system that, in effect, individuals can qualify for services under a number of different programs. As a result, it is difficult, if not impossible, to isolate those variables which bring about change. Therefore, it is almost impossible to ascertain which programs accomplish their objectives and which programs work best with which kinds of people.

To improve policymaking, we need results, empirical evidence, from soundly conceived and executed studies that not only measure the effectiveness of existing programs but also assess the merits of new policy ideas on a small scale before new, large-scale programs are launched. The Integrated Grant Administration program and the Planned Variations Demonstration program serve such a purpose.

The Integrated Grant Administration program was conducted on an experimental basis by OMB and GSA to demonstrate the principles of joint funding of a number of Federal grant-in-aid programs through submission of a single application. The Planned Variations Demonstration was designed to demonstrate the feasibility of special revenue sharing for urban com-

munity development. The main objective of the 2-year demonstrations was to help cities improve their coordination of Federal funds in solving critical urban problems, increase their ability to set local priorities, and reduce bureaucratic red tape.

The monitoring and evaluating systems in use are sometimes too limited to provide program management with the data necessary to measure program success. Because policymakers lack evaluations, they cannot determine whether programs and projects are effectively meeting objectives or need redirecting. Nor do they know if congressional intent has been met. For example, GAO noted in its review of Federal programs for education of the handicapped that, because Federal, State, and local agencies' evaluations had been inadequate, managers could not

- detect ineffective programs and projects,
- redirect existing programs or plan for more effective programs, or
- disseminate the results of effective programs and projects to other educators and administrators.

Those who make the decisions need to know the implications of their available choices. The objective of program evaluation is to provide relevant feedback on those implications, so the decisionmakers can help the Federal Government be more responsive to the Nation's needs.

Essential conditions for successful evaluation of a Federal program are the existence of the methodology and sound measurements that will make it

<sup>9</sup> National Academy of Public Administration/GAO, "A Conference Summary—Evaluation of Federal Economic Assistance Programs," Oct. 11-13, 1973, p. b.

possible to distinguish program effects:

We need to develop methods for these programs that will clearly show not only what we invest in them but what is accomplished in relation to what is intended. We need techniques to measure the difference in social conditions that result from infusing public funds and other resources into programs intended to improve these conditions. This type of accounting is needed by policy makers and planners . . . and by reviewers of performance. We need to know what happens to people affected by certain programs compared to people who are not affected.<sup>7</sup>

However, the evaluation function suffers from a number of weaknesses: lack of specific program goals to evaluate; lack of a data base (reliable and pertinent data) to permit more effective evaluations of accomplishments; failure to use pilot testing to assess program impact; and lack of an evaluation methodology.

Although the Congress has become concerned about evaluating the effectiveness of Federal programs, the Federal machinery for making policy and budget decisions suffers from a crucial weakness: it lacks a comprehensive system for measuring program effectiveness. Excluding the program evaluation responsibilities of GAO, the Federal Government is devoid of a comprehensive evaluation system. Most Federal agencies have no overall system for objectively evaluating program and project effectiveness. In addition, there is no system for planning, executing, and using evaluation studies.

<sup>7</sup> Elmer B. Staats, "The Challenge of Evaluating Federal Social Programs," *Evaluation*, vol. 1, no. 3, May 1973, p. 21.

As a result, the Congress, and most levels of government, suffer from an information gap and, in effect, cannot respond to the Nation's needs. More analytic studies, longitudinal studies, systematic experiments, and behavioral models are needed to assist analysts in better policy formulation and fiscal allocation.

### **Congressional Budget and Impoundment Control Act of 1974**

The need to improve the bases upon which decisions are made is embodied in the Congressional Budget and Impoundment Control Act of 1974. The enactment of the act shows how important evaluation is becoming in the development of public policy and in the administration and management of public programs.

The act provides a mechanism whereby the Congress can examine and establish a national budget, identify and select national priorities, and develop an adequate and effective information and program evaluation capability for budgetary decisionmaking. If its backers are right

. . . the new process will provide Congress with better tools to evaluate the financial needs of the nation and bring coherence and logic to an appropriation process that has lacked both. If the system works, it will mean greater control by Congress over how money is spent.<sup>8</sup>

Specifically, the act provides for the Congress to encourage executive

<sup>8</sup> Joel Havemann, "Budget Reform Legislation Calls for Major Procedural Change," *National Journal Reports*, May 18, 1974, p. 734.

agencies and GAO to evaluate programs, using, for example, pilot tests, cost-benefit analysis, and other analytical techniques in order to obtain results in terms of effectiveness and costs before irreversible program decisions are made.

GAO is required to develop and recommend methods for review and evaluation of Federal programs and activities. These methods will deal with general standards for evaluation methodology, for reporting results, and for the administration of the evaluation function.

With regard to the evaluation methodology, the Congress intends these standards to deal with the development of measures of effectiveness, criteria for determining consistent program costs for comparison purposes, study designs, standards for collection of data, and standards for the consideration of specific analytical techniques. These principles and standards must be broad enough to provide for different methods for evaluating different types of programs.<sup>9</sup>

The act also (1) restates GAO's authority to evaluate Government programs; assist committees, upon request, in developing statements of legislative objectives and goals and methods for assessing program performance; and assist such committees in analyzing and assessing program reviews and evaluation studies prepared by and for any Federal agency;

<sup>9</sup> Senate report 93-579, *Federal Act to Control Expenditures and Establish National Priorities*, 93d Congress, 1st session, November 1973, p. 67.

and (2) provides authority to budget committees to study ways to improve legislative decisionmaking, including making proposals relating to the information base required for determining the effectiveness of new programs by such means as pilot testing, survey research, and other analytical techniques of human resource accounting and other means of providing non-economic, as well as economic, evaluation measures.

## Conclusion

As the scope of governmental activity broadens and as the complexity of governmental programs increases, the Congress needs to continually evaluate program accomplishments in terms less tangible than "amount of dollars spent" or "number of homes built." New measures of effectiveness that indicate the overall impact of our major programs are needed.

Evaluations by themselves will not necessarily point the way to payoffs in better or less expensive programs. However, evaluations do have considerable potential for providing insight on whether specific programs should be retained, modified, expanded, or dropped in addition to providing information on what might be appropriate for improving program performance. The impetus for program evaluation included in the Congressional Budget and Impoundment Control Act of 1974 should improve the basis for making rational and systematic budget decisions in the formulation of public policy.



## Of Sound Mind and Sound Body

*We hear a lot about the need for professional development. What about its counterpart—physical development?*

The vast majority of us begin our careers with sound minds and bodies—attributable to our youth and to many years of schooling. As we continue to work, we develop our mental skills through professional development programs. However, we often forget our physical well-being.

Our physical well-being gives us the mental energy to become productive individuals—in our case effective accountants and auditors. This mental energy, in turn, gives us the drive, enthusiasm, and endurance to do our own work well and the freshness, vitality, and humor needed to make people around us happy to do their work.

Before starting our careers, we direct much of our energy toward studying and getting that degree—our passport to success. At this stage in our lives, we have the good health to cope with the demands and pressures of our work.

Then, in the next 10 to 15 years, we burn ourselves out by struggling to “make it.” In the meantime, our bodies go to pot. We find ourselves

with stomach ulcers, with a hand trained to smoke one cigarette after another, with a back hunched over to carry the burdens of the world, with a strained face, fighting to maintain our position. We’ve “made it,” but at what cost?

In government and industry, management is finding out that some of its most talented executives are physically worn out by their early forties. The passing years have taken their toll—mental alertness diminished, productivity lessened, physical stamina weakened. Management is asking “Why?” and is getting some answers.

The March 1973 issue of *Psychology Today* had an article on a study by a group of physiologists at Purdue University. The study investigated the physiological changes resulting from an exercise program for middle-age professionals who were unfit by almost any physical fitness standards. The team found tremendous improvement in physical fitness. More importantly, the team confirmed “what exercise enthusiasts have claimed for thousands of years—that physical activity can

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Mr. Stanziale is a supervisory auditor in the Cleveland office. He is a graduate of Bowling Green State University with a B.S. degree in accounting. Mr. Stanziale joined GAO in June 1956.

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change the state of one's *mind*." The team concluded that:

A middle-age man going to pot gets more than muscle tone from heavy exercise. He is also likely to become more self-sufficient, resolute, emotionally stable and imaginative.

In July 1973, the *Cleveland Plain Dealer* featured an article by Senator William Proxmire—a prominent legislator whom many of us have seen running through the streets of Washington. In discussing the value of exercise, the Senator stated, in part, that:

You feel better than you ever have in your life, you can have more stamina and endurance, you can strengthen your heart and probably lessen the chances of heart attack.

You can greatly ease the tensions that prevent you from getting a good healthy night's sleep.

You can probably strengthen your ability to withstand arguments and avoid headaches.

The November 1973 issue of *Management Accounting* had an interesting article on "The Healthy Accountant." In the article, Miss L. R. Valeska, the author of a book entitled "Nature's Rejuvenating Principles," comments on

the unhealthy aspects of an accountant's job:

It is, of course, a sedentary occupation with little opportunity for exercising the body's muscles. In addition, accountants are compelled to use their eyes in close detail work which can often lead to speedy deterioration of eyesight. Smoking has been pretty well proven as a sure killer. Consuming rich meals and a number of cocktails on a regular basis also is not conducive to good health.

She recommends that accountants exercise to prevent "qualification for membership in the Coronary Club and a permanent one-way trip to the mortuary."

The time has come to give attention to developing the entire person—not just the mind. If we are to overcome the current trend of middle-age people going to pot at the prime of their careers, we must act now. Individually, we should begin our own program of physical development. This can take many forms: jogging, handball, basketball, swimming, or simply walking. Organizationally, management should encourage its people to participate in physical activities. The rewards from balancing a sound body with a sound mind are immeasurable.

# Yes—There Is Gold at Fort Knox

721542

*How GAO participated in the physical inventory of the U.S. gold holdings at Fort Knox.*

The Bureau of the Mint, U.S. Treasury Department, has custody of over 267 million fine troy ounces of gold valued at the official rate of \$42.2222 an ounce, for a total value of about \$11.3 billion. The current market value is about \$165 an ounce. Most of this gold, over 147 million fine troy ounces, is stored at the U.S. Bullion Depository at Fort Knox, Kentucky.

In response to congressional interest and to dispel rumors of the gold's nonexistence, GAO, cooperating with the Bureau of the Mint, helped to plan and observe the taking of a physical inventory of the gold bulilon stored at the Fort Knox depository.

## The Depository

Constructed in 1936, the depository is a two-story building of granite, steel, and concrete, with exterior dimensions of 105 by 121 feet. Within the building is a two-level steel and concrete vault divided into compartments. The vault door itself weighs more than 20 tons. No one person is entrusted with the combination: two

members of the depository staff must dial separate combinations known only to them.

The gold in the depository is stored in 14 sealed compartments. A seal places the gold under such control that the Director of the Mint's representatives can, for annual settlement purposes, accept the verification made by a previous duly authorized committee as to weight, count, and/or value of impounded gold. The gold, therefore, is not counted annually, although the seals are checked and examined yearly by a special settlement committee. The last actual physical count of the gold occurred in 1953.

Gold stored at Fort Knox has a current market value of over \$25 billion and comprises more than half of the U.S.-owned gold. The gold is in the form of standard mint bars of almost pure gold or coin gold bars made from melting gold coins. Most of the bars weigh about 24 pounds and are smaller than ordinary building bricks. Fine gold bars contain approximately 400 fine troy ounces of

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Mr. Sutherland, a supervisory auditor with the Washington regional office, joined GAO in 1968. He has a B.S. degree from Carson Newman College and is a member of the Federal Government Accountants Association.

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*From left: Jerry McKeehan and Jim Nicotera of the General Government Division; Hy Krieger, manager of the Washington regional office; and the author examine a bar of gold at the Fort Knox depository.*

gold, worth around \$70,000 at current market prices.

### **Vault Opening Ceremonies**

Opening ceremonies on September 23, 1974, preceded the actual physical inventory. Nine Members of Congress and press and news media representatives from all over the world were present. Guards armed with machine guns patrolled outside the facility and were positioned at strategic locations within the depository. Military police were also stationed outside the steel fence marking the depository's boundaries, while electronic scanning devices were used to search visitors, including the congressional and press representatives, to assure that no weapons or unauthorized cameras were admitted.

This was the first time in nearly 40 years that visitors were allowed inside the depository to inspect and photograph the gold. The ceremonies began with the press drawing colored pop-sicle sticks to establish the order of their entry into the building. Once inside, the reporters, huddling in front of the vault waiting for its opening, reminded me of a rugby team waiting for play to begin. As the vault was opened, I could picture the gold rush of 1849; therefore, for fear of being trampled in a stampede, I stood off to the side and witnessed the event.

### **Counting the Gold**

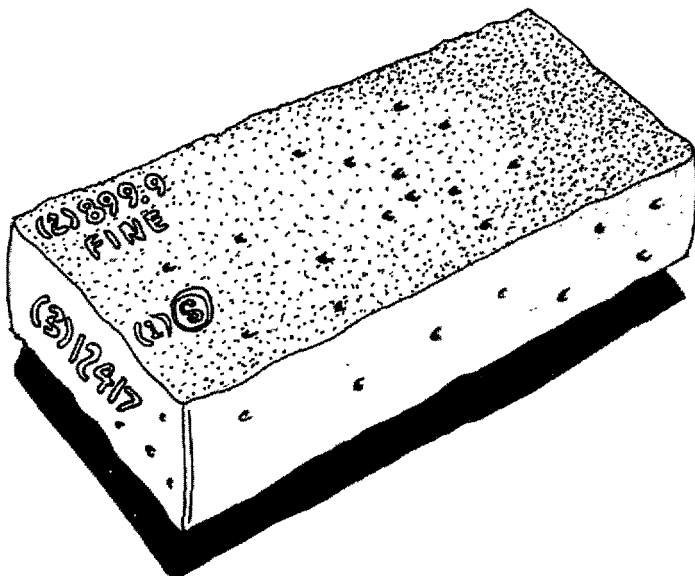
The actual counting of the gold began on September 24, 1974. A special settlement committee inventoried and maintained physical control over

the gold as it was inventoried, weighed, and assayed. During the course of the audit, *Jerry McKeehan* and *Jim Nicotera* of the General Government Division's Treasury staff observed that the committee opened three compartments and counted and inspected 91,604 bars representing about 31.1 million fine troy ounces of gold having a market value of about \$5.4 billion. From a random sample of the gold counted, the committee weighed 95 samples within a tolerance of 100th part of a troy ounce. Chips were taken from a representative number of bars and sent to be assayed at the New York Assay Office so that we could verify the gold's quality. Our New York regional office staff observed this process. Weights and physical characteristics of the gold inventoried were compared with the depository records. We also reviewed and evaluated the physical controls over gold at Fort Knox and the New York, Denver, and San Francisco depositories. Our regional office staffs assisted in this part of the audit.

As you might expect, the novelty of seeing, inspecting, and inventorying gold bars wears off rapidly and becomes like other jobs requiring a physical inventory. However, the following points were of special interest to me.

1. Ten laborers working in shifts were required to physically move the gold bars inventoried.
2. The clanging sound generated by coin gold bars being stacked on pallets caused some laborers and committee members to wear ear plugs.
3. A dull thud sound was made

### THE GENERAL PHYSICAL CHARACTERISTICS OF GOLD BARS COUNTED



#### LOCATION OF MARKINGS

- (1) – A seal which is used to identify the smelter and which tells when and where the bar was cast.
- (2) – A number showing the bar's recorded purity (000.0 fine).
- (3) – A number used to identify a group of as many as 25 bars from a single pouring.

when pure gold bars were stacked.

- 4. The scales used to weigh gold and gold assay samples were very sensitive and could detect movement within the weighing rooms or the sound of the coin gold bars being stacked on the lower floor inside the vault. For example, waving your hand in front of, placing a tiny piece of paper on, or walking around the scales would cause weight fluctuations.
- 5. The security at the depository was similar to that of a maximum security prison where one is under constant surveillance.
- 6. The tendency of pure gold bars to flake when moved resulted in the presence of gold particles on the floor. In answer to your next question: no, you can't take it with you. The floors are swept and the sweeps sent to the New York Assay Office for processing.

In concluding, I can assure you that there is gold at Fort Knox and in the

amount so recorded. However, we continue to receive inquiries from Members of Congress and some doubting

members of the general public asking for additional information on the scope and results of our review.

*Editor's note:* The Comptroller General's report to the Congress on the work described in this article is entitled "Accountability

and Physical Controls of the Gold Bullion Reserves," FOD-75-10, Feb. 10, 1975.

### Containing Fraud

The containment of fraud is founded on three closely related functions: (1) a strong, involved, investigative board of directors; (2) a sound, comprehensive system of internal controls; and (3) alert, capable independent auditors. They are like the three points of a triangle. If any one of them is not forcefully delineated, the entire structure becomes vulnerable.

*Walter E. Hanson*

Senior Partner, Peat, Marwick,  
Mitchell & Co.

In "Focus on Fraud"

*Financial Executive*

March 1975

## Business—An Instrument of National Policy?

*The President of the Conference Board discusses the role of business in working toward achievement of U.S. goals and the great importance of its central responsibility for efficiently carrying out its primary economic function of producing products, jobs, and economic growth. Mr. Trowbridge, a member of the Comptroller General's Consultant Panel, delivered these remarks before the Washington chapter, American Society for Public Administration, February 13, 1975.*

The immediate economic arena is full of all too familiar uncertainties and dilemmas. The distant economic horizon is strewn with imponderables, both domestic and international. The pace of change has become breathtakingly rapid, creating the ironic call for "long range planning" from precisely those decision makers who find it difficult, if not impossible, to plan more than a week or a month at a time. It is clear that both business and government, as two major components of American society, are increasingly interdependent—just as the entire world is increasingly surrounded by examples of interdependence. Consider just a few which Harlan Cleveland—a veteran of Washington well known to many of you—recently outlined:<sup>1</sup>

1. The world increasingly is focusing on the doctrine of quantitative growth, and questioning whether it is at once achievable or even desirable. Basic values of this type are under severe test, with subsequent erosion of the roles of institutions hitherto considered essential to economic progress.
2. The astronauts' photos of planet Earth, in all its fragility, make people conscious of their commonality with other people and their ability to impact each other for good and for evil.
3. We consequently search for some way to define the outer limit beyond which man cannot develop resources without endangering himself and all around him. Atomic weapons are clearly that far edge in warfare—is

<sup>1</sup> Harlan Cleveland, "The Macroproblem of Modernization," *The Conference Board RECORD*, Feb. 1975, p. 6.



there an economic upper limit as well?

4. The thought of doubling the world's population by the year 2000 immediately questions our ability to grow enough food for such numbers, and if we can grow it can we distribute it equitably and efficiently?
5. Technological advances may solve some of the economic pressures, but create new moral ones. Should we prevent all famine or disease, thus expanding mouths to feed around the world? To not do so, however, would offend every human instinct we possess. Where is the balanced answer?
6. As distances are shrunken by communications and transportation, one action in country A echoes through countries B through Z in ways which deny confinement of any fad, ideology, eruption or crime to its point of origin.
7. Similarly, trade and commercial contacts echo the proliferation of inflation and recession in a domino effect which can lead to the early breakdown, as nations scurry into protectionism, of the working rules of international economic intercourse.
8. In the management of scarcity, the developed nations are faced with new relationships among and with the developing world. OPEC opens our eyes to potential copiers in other resource areas. International institutions,

long run for our benefit, are now being taken over by the poorer nations who have no great sympathy for the rich.

It is this type of worldwide interdependence which expands the arena in which complex decisions must be made. The management of these problems, when action on any single one requires consideration of them all, will be the gut issue of the latter quarter century now beginning. It places pressures on those who lead our society, and on every citizen within it, which were not recognized by most observers as recently as 10 years ago. Government, business, education, church, voluntary agencies—all Americans will be involved in deciding which trade-offs will be chosen. Those choices will impact on millions of private and personal decisions, and the understanding of what is behind them will greatly affect how Americans accept or reject the new constraints on their way of life.

These, then, are some of the parameters of a changed and changing world, and within the American society which surrounds us all. Perhaps the specifics of the changes are open to dispute, but the direction seems clear. In this context, how do we contemplate the role of business as an instrument of national policy? There is not much doubt that it is such a chosen instrument, but we must be careful to judge how the relationship should operate to produce the essential results. What attitudes should prevail which will influence the success of this venture? What do we want to accomplish? What rules and constraints

must apply, and what should be the guidelines for the future?

*Firstly*, surely the time has come to lower our voices and moderate the mounting cynicism and suspicion which flow between government, business and the public at large—an ebb and flow of mutual dislike and distrust which does little except diminish our ability to meet the nation's needs. Samplers of public opinion constantly record new lows in public respect for and confidence in both government and business, and little which is said by leaders in either the public or private sector helps rebuild that confidence factor. Though an adversary relationship is nothing new, the level of antagonism between business and government—flowing both ways—is altogether too high. Richard Barber puts it this way:

“In overhauling our public policies as they pertain to business, the first step is to free ourselves from the mythology and incantations that confuse and prevent rational discussion of the issues. That admonition applies equally to politicians, journalists, academicians and businessmen. The notion that we can deal with business, its challenges and its needs, by speaking out in the manner of a Babbitt, or, conversely, by leveling populist-like verbal broadsides at big business and lamenting its high profits or supposed inhumaneness, must be coldly dismissed.”<sup>2</sup>

I have been, at times, reminded of

<sup>2</sup> Richard J. Barber, *The American Corporation* (E. P. Dutton & Co., 1970), p. 290.

the story of the football game which was drawing to a close with the home team behind and faltering on its own five yard line. The coach decided to put in a new quarterback, and sent him in with instructions to “run play number 22 twice, then punt.” The quarterback ran number 22, and went 45 yards downfield. He ran number 22 again, gaining another 45 yards. With the hometown heroes on the opponent's five yard line, they punted! As the ball sailed out of the stadium, the coach yelled at the quarterback—“What on earth is going through your mind?” The quarterback replied—“I was just thinking that we had the dumbest coach in the history of football!” To get the coach and quarterback seeing and believing that they are interdependent leaders of the same team is clearly the first requisite.

The *second* requisite is to define the expectations placed on business by the public. The corporation basically operates under a franchise from society, and must fulfill that franchise to stay in business. But American society has been continuously escalating its demands upon the business sector, placing both new expectations and new constraints on the operations of corporate management. The new expectations stem both from the complex problems facing the nation which cry for solution, and also from the efficiency and productivity which business has shown in economic terms—a capability which has now been asked to provide social answers as well. While antagonistic to much that they see in American business, public opinion still has respect for the managerial skills

and extensive resources which business can bring to bear on a problem.

The Committee for Economic Development has used three concentric circles to describe the character of public expectations towards business.<sup>3</sup> First, the *inner circle*—a clear cut and core responsibility for efficient execution of an economic function, namely, products, jobs and economic growth. Second, the *intermediate circle*—responsibility to exercise the economic function with a sensitive awareness of changing social values and priorities, such as environmental conservation, equal employment and fair labor standards, product safety and adequate information disclosure. Third, the *outer circle*—a more clouded area of expectation in which business should be involved in actively improving the social environment—urban blight and poverty and education—in which the skills and resources of business might succeed where others have failed. Clearly, movement from the inside outward depends on successful achievement of each circle in sequence.

One can find, in the literature of the late 1960s and early 1970s, much trumpeting of this *outer circle* capability of business to become successfully engaged in solving social problems. Rehabilitation of central city housing, operation of public school teaching systems, provision of community health care, rendering of community services such as solid waste collection and disposal—all were brave new worlds to conquer in an economic

<sup>3</sup> Committee for Economic Development, *Social Responsibilities of Business Corporations*, 1971, p. 15.

climate of affluence and expansion. The entry of for-profit organizations into activities previously handled by nonprofit institutions was given great attention in an atmosphere of hope—hope that where answers had eluded government they could be found by business.

By 1975, we cannot look back at that “brave new world” and find much success to elicit our pride. With the possible exception of the new pollution-control industry, we don’t see many viable examples of permanent corporate activity working in those social vineyards. Why? I think we have to go back and see whether we were using the right kind of perfume—the “Reasonable Expectations” of the *New Yorker* cartoon. The crucial need is to remember that, of the three concentric circles, the core is the *inner circle*—the “efficient execution of the economic function”—and the prerequisite for arrival at the outer two circles is the fulfillment of that central responsibility to survive and grow as a business entity.

The recessions of 1970-71 and 1974-75 simply turned attention back to that core economic role, with company after company forced to fight hard to stay viable in our fast-changing society. Most who fulfilled that core responsibility also operated in the *intermediate circle*—“exercising the economic function with a sensitive awareness of changing social values and priorities.” But few made it to the *outer circle*—“the clouded area of expectation in which business should be involved in actively improving the social environment.” I think it is also

true that business accomplishes most in areas where it has both the requisite skills and the needed motivation. Entry into the area of social problemsolving may have been with good motivation, but no real reservoir of skills for such endeavors necessarily exists.

I am concerned, and all of us should be concerned, that the current economic climate, plus the failure to meet those exalted expectations of the late 1960s, is bringing a public opinion backlash which can do great damage to the vitality of our economic system. The findings of Lou Harris or George Gallup or Pat Caddell, and our own Conference Board surveys of consumer confidence, indicate a most violent downturn of public confidence in business generally. With spectacular speed during the latter half of 1974, people reacted to inflation and recession with great hostility towards both government and business—regarded as about equally guilty of bureaucratic mismanagement and industrial rip-offs. The surveys indicate an increasing public readiness to support radical changes in economic groundrules—“not necessarily radically left or radically right, but radically different” (as the *Wall Street Journal* reports).<sup>4</sup> These are the conditions in which desperate and dangerous swings of the pendulum can occur, doing great damage and destroying much which is basic to our ability to extricate ourselves from our current economic dilemma. It is, then, essential that those in policymaking positions re-

member some basic truths about business as an instrument of national policy.

As the same Committee for Economic Development study points out, the goals of U.S. society can only be met by a massive effort by government, industry, labor, and education combined. Government's role is to finalize the goals, set the priorities and strategies, and create the conditions for carrying them out. Business, with its profit-and-loss discipline, should be involved in helping to set those goals, but has a particularly significant role in the actual execution of strategies and achievement of objectives. The incentive for profit is the only realistic way of unleashing the power and dynamism of private enterprise on a scale that will be effective. It is the strong and profitable, not the weak and marginal, companies that can create jobs—for blacks and for whites. The corporation that sacrifices too much in the way of earnings in the short run will soon find itself with no long run to worry about.

Hence, we return to the core function, the *inner circle*, of jobs, products and economic viability which must be fulfilled before business can expand its horizons dramatically outward. Government, in creating the conditions for this function to be completed, has four major areas of responsibility:<sup>5</sup>

*First:* Measures to maximize the rate of growth of the economy

<sup>4</sup> Alan J. Otten, “Politics and People,” *Wall Street Journal*, Feb. 6, 1975.

<sup>5</sup> *The American Business Corporation*, edited by Eli Goldston (MIT Press, 1969), p. 57-68.

and to reach and maintain full employment: i.e., fiscal and monetary policy, budget deficits or surplus, tax credits and incentives, etc.

*Second:* Measures directed at the performance of markets — for goods and services, for capital, for labor: i.e., regulatory agency activities, antitrust policy, consumer protection, labor laws, etc.

*Third:* Measures to redirect resources toward agreed-upon social goals such as housing and education: i.e., interest rates, research and development, subsidies, incentives, etc.

*Fourth:* Measures to correct for external diseconomies: i.e., environmental protection, safety and health, urban mass transportation, etc.

In the exercise of these four areas of responsibility, the total effect of which will determine business' ability to succeed as an instrument of national policy, I would hope that government policymakers would remember Mr. Barber's admonition, cited earlier, to avoid "leveling populist-like verbal broadsides at big business and lamenting its high profits or supposed inhumaneness." There is a Spanish

proverb which says: "The tumult descends from the stadium full, but only the matador faces the bull." Better to remember that productive business involvement in fulfillment of its role requires fairly clear evidence that the goals are feasible and that a reasonably certain profit can be obtained. Economic carrots have to be appropriate, obvious and not susceptible to abuse, but designed to compensate for conditions which otherwise would make a reasonable profit unlikely.

Lastly, as we are buffeted by public criticism and characteristically American demands for "instant solutions" so similar to the "instant potato" world surrounding us, let us also apply the rule of reasonable expectation. It is beautifully summed up in this statement published by The Brookings Institution in 1970:

To look for solutions for these difficult social problems is profoundly to misunderstand their nature. The quest is not to solve but to diminish; not to cure but to manage. And it is this hard truth that makes so many so frustrated, for it takes great courage to surrender a belief in the existence of total solutions without also surrendering the ability to care.<sup>6</sup>

<sup>6</sup> H. H. Wellington and R. K. Winters, *Structuring Collective Bargaining in Public Employment*, Brookings Institution, 1970.

# Cost Accounting Standards Board Activities—1970-75

*The following resume of the activities of this relatively new Federal agency in the legislative branch is based on information the Comptroller General, Elmer B. Staats, supplied to congressional committees in April 1975 in connection with hearings on the Board's cost accounting standard on depreciation of tangible capital assets.*

The Cost Accounting Standards Board was established as an agent of the Congress and independent of the executive departments by Public Law 91-379 on August 15, 1970. This law designated the Comptroller General of the United States as Chairman of the Board.

The Board is empowered to promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting principles followed by defense contractors and subcontractors under Federal contracts. Such standards shall have the full force and effect of law.

## Composition of Board

In January 1971, following appropriations for the Board's work, the Comptroller General, *Elmer B. Staats*, appointed four persons to serve as members of the Board for 4-year terms:

Herman W. Bevis, former senior

partner of Price Waterhouse & Co., Certified Public Accountants.

Robert K. Mautz, partner of Ernst & Ernst, Certified Public Accountants.

Charles A. Dana, Director of Government Accounting Controls, Raytheon Company.

Robert C. Moot, Assistant Secretary (Comptroller), Department of Defense.

When the terms of the four appointed members expired early in 1975, Mr. Bevis and Mr. Mautz were reappointed. Terence E. McClary, Assistant Secretary of Defense (Comptroller) was appointed to succeed Mr. Moot, and John M. Walker, Vice President and Controller of Texas Instruments, Incorporated, was appointed to succeed Mr. Dana.

Early in 1971, the Board selected *Arthur Schoenhaut* as its Executive Secretary, and a full-time staff—now numbering 24—was soon formed.

## Meetings

The Board generally holds monthly meetings, lasting from 1 to 3 days, in which it discusses material developed by its staff. Before these meetings, each member is briefed by the staff on the items included in the meeting agenda. Board members frequently communicate with the staff on materials being developed and thus are deeply involved in all aspects of the research and development of standards and regulations.

## Standards Promulgated

The Board has promulgated the following nine cost accounting standards and implementing regulations:

- No. 401 Consistency in Estimating, Accumulating, and Reporting Costs
- No. 402 Consistency in Allocating Costs Incurred for the Same Purpose
- No. 403 Allocation of Home Office Expenses to Segments
- No. 404 Capitalization of Tangible Assets
- No. 405 Accounting for Unallowable Costs
- No. 406 Cost Accounting Period
- No. 407 Use of Standard Costs for Direct Material and Direct Labor
- No. 408 Accounting for Costs of Compensated Personal Absence
- No. 409 Depreciation of Tangible Capital Assets

## Standards in Process

The Board has solicited comments from the general public on a proposal for Standard No. 410, dealing with the allocation of business unit general and administrative expenses to cost objectives and on a proposal for Standard No. 411, on accounting for acquisition costs of material. The Board will analyze comments it has received on these proposals before deciding whether to go ahead with promulgation of cost accounting standards on the two subjects.

The Board also is working on about 10 additional subjects, many of which will probably culminate in cost accounting standards.

## Disclosure Statement

The Board has also designed a disclosure statement of cost accounting practices which certain contractors must submit to the Government as a condition of contracting. These statements require major defense contractors to describe the principal practices they will follow for applicable negotiated defense contracts. Initially, each company receiving negotiated prime defense awards in excess of \$30 million in fiscal year 1971 was required to submit a disclosure statement. The Board amended that regulation to require, beginning April 1, 1974, disclosure statements from companies which received more than \$10 million in negotiated prime defense contracts of the kind subject to the Board's jurisdiction in either fiscal year 1972 or 1973. The Board recently published

a proposed amendment to its regulations on the disclosure statement which would require firms to file disclosure statements on the basis of awards received in subsequent fiscal years.

As of March 31, 1975, the Board had received copies of 1,260 disclosure statements from 155 multidivisional companies required to disclose cost accounting practices to the Government. The Board has established a computerized data bank containing the responses received and now has the capacity to provide aggregate data on any question or combination of questions covered by the disclosure statement. This data bank helps the Board a great deal in its research into possible standards.

In 1974 the Board promulgated a disclosure statement specifically designed for colleges and universities receiving defense contracts and subcontracts. It is similar to the disclosure statement commercial firms submit.

**Contract Threshold**

In 1974 the Board completed a study leading to establishment of a contract threshold amount below which the Board's standards and regulations need not be followed. The Board decided to increase the exemption from the statutory limit of \$100,000 to \$500,000. The increase became effective January 1, 1975. On the basis of Department of Defense statistics, the Board estimates that about 70 percent of the companies receiving Defense prime contract awards—representing about 10 percent of the total dollar

value of annual Defense contract awards—will be exempt. Contractors who do not receive a covered contract in excess of \$500,000 can elect to comply with the Board's standards and regulations.

**Interagency Advisory Committee**

Recognizing that cooperation by departments and agencies of the executive branch would be very important in achieving the full benefit of its regulations and standards, the Board established an Interagency Advisory Committee in 1972. This Committee is composed of controller and procurement representatives of the Energy Research and Development Administration; Department of Defense; General Services Administration; National Aeronautics and Space Administration; Department of Health, Education, and Welfare; and Department of Transportation. A representative of the General Services Administration heads the Committee.

The cooperative spirit of this Committee and of the individual Federal agencies involved has materially assisted in the implementation of promulgated standards, rules, and regulations. For example, the Atomic Energy Commission, the Department of Defense, and the National Aeronautics and Space Administration—the original three principal relevant Federal agencies under Public Law 91-379—issued uniform implementing regulations. The General Services Administration, in its publication of the Federal Procurement Regulations, provided that, with certain exceptions, the



Board's standards, rules, and regulations, as a matter of policy, are to be extended to nondefense contracts, thus better assuring consistent application of Board standards by contractors having both defense and nondefense contracts.

### Operating Policies

To improve understanding of the Board's fundamental objectives and concepts and thus provide the basis for a productive dialogue with those concerned with its work, the Board, in March 1973, published a *Statement of Operating Policies, Procedures and Objectives*. Interested members of the public should, on the basis of this statement, be better able to focus on the complex and difficult issues which the Board faces in promulgating cost accounting standards.

To help achieve its objectives, the Board has actively sought the cooperation of all those who have an interest in its work. It has established active, open consultations with representatives of all groups, including Government agencies, professional and industry associations, the academic community, and representatives of individual companies. Board proposals and promulgations are regularly mailed to more than 1,500 organizations and individuals during the course of the Board's research. These organizations and individuals generally have provided constructive reviews and comments on Board materials.

Because of its conviction of the need for candid and regular communication with industry and executive branch

agencies and because of its continuing concern for the orderly implementation of its rules, regulations, and cost accounting standards, the Board, in 1972 and 1973, sponsored a series of 1-day briefing sessions throughout the country to explain its standards and regulations to both Government and industry representatives. Approximately 11,000 people attended those sessions.

Believing that training should be assumed by established training organizations, at least after the Board's early materials were covered in Board-conducted sessions, the Board, in 1974, encouraged the Civil Service Commission, the Army Logistics Management Center, and the American Institute of Certified Public Accountants to establish training courses in cost accounting standards matters. The Board worked closely with those organizations in preparing course material and continues to assist with the courses. It also occasionally provides speakers at the training sessions.

As a further example of its earnest desire to foster communication between itself and defense industries, the Board held an evaluation conference on promulgated standards and regulations in Chicago, Illinois, in June 1975. Anyone wishing to appear before the Board to discuss his company's experience with promulgated standards and regulations was invited to participate in the conference. The conference was also open to the general public.

To effectively coordinate the Board's work with that of other agencies and groups concerned with accounting principles, the Board maintains regu-

lar exchanges with the Securities and Exchange Commission, the Internal Revenue Service, and the principal standard-setting body in the private sector — the Financial Accounting Standards Board.

### **Insecure State of Economics**

Although economists can discourse very learnedly about the economic system as a set of interdependent variables and although they share a large technical vocabulary and make use of some common analytical tools, I am afraid that the critical differences among economists on both analytical and policy issues at every turn demonstrate the insecure state of this quasi-science.

*Leonard S. Silk*  
Financial columnist for  
*The New York Times*  
in lecture at GAO  
January 13, 1975

# The Watchdog Reports



*The following items from past issues of The Watchdog, the monthly newspaper of the GAO Employees Association, Carl C. Berger, editor, are republished for the benefit of GAO's present staff.*

## **W. A. Newman, Jr., is DAAD Director**

January 1960

William A. Newman, Jr., has been designated as director of DAAD by Comptroller General Joseph Campbell in a recent announcement. Mr. Newman succeeds L. J. Powers, who is serving as the assistant to the Comptroller General.

Mr. Newman received his B.S. degree in accounting in 1929 from Syracuse University and was an instructor of advanced accounting for 2 years at that university. While at Syracuse, he was a charter member of Theta Phi Lambda and Beta Alpha Psi and a member of Phi Kappa Phi, honorary societies. He is a CPA of New York State, member of the New York State Society of Certified Public Accountants, member of the American Accounting Association, and served as National President of the Federal Government Accountants Association for the fiscal year 1957-58. He is also a member of the American Institute of Certified Public Accountants and is

presently serving on the Committee on Statistical Sampling.

Mr. Newman started his career in public accounting in New York City with Arthur Andersen & Co. in 1929 and later joined the staff of Phagen, Tillison and Tremble. In 1938 he became a partner of Stover, Butler, Murphy and Newman, CPAs, Syracuse, N.Y. From 1940 to 1942 he was comptroller and treasurer of a precision machine tool manufacturing corporation. His Federal career commenced in 1942 as Assistant District Auditor, Eastern Audit District, Army Air Force. In 1943, he entered military service and served as District Auditor, Los Angeles, and in 1945 was appointed Assistant Chief, Contract Audit Division, Headquarters, Army Air Force, Dayton, Ohio.

After discharge from the Army Air Force in 1946 with a rank of Lieutenant Colonel, he joined the auditing staff of the Corporation Audits Division, GAO, as a supervisory auditor. Mr. Newman was the ninth employee

hired in this division and participated in the formulation of accounting and auditing policy and procedures for the guidance of the auditing staff in the audit of Government corporations under the Government Corporation Control Act, 1945. In 1947 he was elevated to the position of assistant director of the division; in 1953 became associate director of the Division of Audits; and in March 1956 was appointed deputy director, DAAD.

**L. J. Powers Is Assistant to CG**

January 1960

Lawrence J. Powers was recently designated as the assistant to the Comptroller by Comptroller General Joseph Campbell.

Mr. Powers, a graduate of the University of Maryland, has been associated with GAO since 1952 following his release from active duty with the U.S. Army during the Korean Emergency. He has served as director of DAAD since March 1956 when the division was established by the Comptroller General.

Mr. Powers has had broad experience in accounting and auditing positions for over 25 years in the Federal Government. He has served as the GAO representative on the Committee on Defense Participation in the Joint Accounting Program.

He was a recipient of the 1957 Career Service Award granted in May of that year by the National Civil Service League.

**Abbadessa to Get Flemming Award**

February 1960

John P. Abbadessa, deputy director,

Civil A&A Division, and former director, Transportation Division, has been selected to receive the Arthur S. Flemming Award sponsored by the Junior Chamber of Commerce and the American Security and Trust Co. of Washington, D.C. The award will be made on Feb. 18 \* \* \*.

Mr. Abbadessa was nominated for the Flemming award on the basis of his exemplary performance and his outstanding executive and administrative ability in the fields of management and accounting and auditing.

Mr. Abbadessa joined GAO on July 14, 1947, as an accountant in grade GS-5. On the basis of his outstanding performance, he progressed in the accounting and auditing work of the office, assuming more and more responsibility. He was appointed to the position of director of the Transportation Division in January 1959 and assumed his present position in December 1959.

**H. Bell Is Associate Director**

March 1960

Hassell B. Bell has been designated associate director (Air Force), DAAD, by Comptroller General Joseph Campbell.

Mr. Bell is a certified public accountant of the State of Texas. His career in the field of public accounting began with the firm of Frye, Gregory & Linstead in Dallas in 1952. He later joined the staff of Lybrand, Ross Bros. & Montgomery, going on to Peat, Marwick, Mitchell & Co., and still later was the top senior accountant for the firm of Strand,

Skees & Jones in North Carolina.

His Federal career started in September of 1949 as an accountant in the Corporation Audits Division of GAO. During the period May 1952 to July 1954, he served in the capacity of regional manager in GAO's New York office. In August 1955 Mr. Bell was promoted to assistant director (Navy), Division of Audits, and in December of 1959 Mr. Bell was promoted to associate director (Navy), DAAD.

#### **Rothwell Is Assistant Director**

April 1960

Robert G. Rothwell has been designated as assistant director of DAAD by Comptroller General Joseph Campbell.

Mr. Rothwell received the degree of bachelor of science from New York University in 1942 and a master in business administration from New York University in 1951. He served in the U.S. Army from 1942 through November of 1945.

Prior to joining GAO, he was employed by George H. Kingsley & Company and S. D. Leidesdorf & Company, both certified public accountants in New York City, and also worked as accountant for Socony-Vacuum Oil Company in New York.

Since joining the Office, Mr. Rothwell has assumed positions of increasing responsibility, including supervision in the area of audit of contracts awarded by the Department of Defense, and most recently was assigned as acting assistant director in charge of the Program and Review Staff of the Defense Accounting and Auditing

Division. From February 1953 to March 1955 he was assigned to the European Branch of GAO in the Frankfurt suboffice.

Mr. Rothwell, a certified public accountant of New York, is a member of the American Institute of Certified Public Accountants and of Beta Gamma Sigma, a national honorary business fraternity.

#### **Bailey To Be Deputy Director**

May 1960

Charles M. Bailey was recently designated by Comptroller General Joseph Campbell as deputy director of DAAD. Mr. Bailey succeeds William A. Newman, Jr., who was recently designated director of DAAD.

Mr. Bailey has had broad experience in the accounting and auditing activities of GAO since joining the Office in 1935. Prior to joining the Office, he was an accountant in private industry. He attended the Park's School of Business Administration in Colorado and the University of Denver. He performed extensive work in the area of war contract audits for GAO, and, in 1944, became chief auditor for GAO's Western Zone with offices in Los Angeles.

In 1952, he was promoted to assistant director of audits—field operations. In July 1954, he was appointed director of GAO's European Branch with headquarters in Paris. Upon completion of a two-year tour of duty in this foreign post, he was assigned in July of 1956 to DAAD as assistant director, and in June 1958 he was promoted to associate director of that division.

As deputy director of DAAD, Mr. Bailey will assist in the overall direction of the accounting, auditing, and investigative work conducted by the Office in the Department of Defense, including the Departments of the Army, Navy, and the Air Force and their contractors.

**L. Hunter To Be Assistant Director**

July 1960

Louis W. Hunter has been designated as assistant director of CAAD by Comptroller General Joseph Campbell. He will be in charge of accounting and auditing activities in the Housing and Home Finance Agency.

Mr. Hunter attended Modesto Junior College, Golden Gate College in San Francisco and the University of San Francisco Law School. Prior to joining GAO he was employed in public accounting in California.

He joined the San Francisco office of the Corporation Audits Division of GAO in May 1951 and transferred to Washington in 1953. From March 1956 to May 1958 he was assigned to the European Branch in the Paris office.

A certified public accountant of California, Mr. Hunter is a member of the American Institute of Certified Public Accountants, American Accounting Association, and the California Society of Certified Public Accountants.

**Schoenhaut Is Assistant Director**

July 1960

Arthur Schoenhaut has been designated to be assistant director of CAAD in charge of accounting and auditing of various activities in the Commerce

Department. \* \* \*

\* \* \*

Mr. Schoenhaut attended City College of New York and New York University. He served in the United States Army from April 1943 to March 1946.

Since joining GAO in October 1950, Mr. Schoenhaut has been assigned to audits of the Maritime Administration and Federal Maritime Board. He has assumed positions of increasing responsibility, including supervision of the auditing, accounting, and investigative activities at the Bureau of Public Roads, National Bureau of Standards, and more recently the Coast and Geodetic Survey and the Weather Bureau.

**T. E. Sullivan Is Assistant Director**

August 1960

Thomas E. Sullivan has been designated associate director of the Transportation Division. \* \* \*

\* \* \*

Mr. Sullivan, formerly assistant director of DAAD, has been on the staff of GAO since 1951. During the period 1954-56, he served on the staff of the European Branch and was also the United States delegate to The International Board of Auditors for Infrastructure of NATO.

Before coming with GAO, Mr. Sullivan was associated with a public accountant firm in Pittsburgh, Pa. During World War II he served in the U.S. Army Air Force.

Mr. Sullivan is a certified public accountant in Pennsylvania and is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.



### **Comptroller General Files Suit to Enforce the Impoundment Control Act**

On July 12, 1974, the Congress passed the Impoundment Control Act of 1974, title X of Public Law 93-344. That law provides a procedure whereby the President may propose to the Congress deferrals or rescissions of budget authority, and the Congress may approve or disapprove those proposals. If the Congress disapproves a proposal, the President immediately must make the budget authority available for obligation. Should he fail to do so, the law provides that the Comptroller General may take action in the courts to compel the release of the budget authority.

On April 15, 1975, the Comptroller General initiated a lawsuit to compel the release of approximately \$264.1 million of budget authority for a subsidized housing program carried out under section 235 of the National Housing Act. Congress enacted section 235 in 1968 to help lower income families acquire homeownership of housing units by making mortgage assistance payments on behalf of homeowners and cooperative members.

In 1973, President Nixon suspended this program. President Ford continued this suspension by transmitting

to the Congress, pursuant to the Impoundment Control Act, a message stating, in effect, that he proposed to rescind the budget authority available to carry out the provisions of section 235. In accordance with the provisions of the Impoundment Control Act, the President was required to make the section 235 budget authority available for obligation unless the Congress completed action on a rescission bill within 45 days rescinding all or part of the section 235 budget authority. The Congress did not complete action on a rescission bill relating to section 235 during the allotted time, but the President has continued to refuse to release the budget authority for obligation.

This is the first instance in which the Comptroller General has initiated legal proceedings to enforce the provisions of the Impoundment Control Act. The suit furthermore is significant in that it represents one of the few times one part of the Government has sued another part. Other examples include *Nixon v. Sirica*, 487 F. 2d 700 (1973), involving executive privilege, and *United States v. United States*, 296 F. Supp. 853 (1968), involving a dispute between the Department of Justice and an independent regulatory commission, the Interstate Commerce Commission.

The suit, which was filed in the Federal District Court for the District of Columbia, names the President; James T. Lynn, Director of the Office of Management and Budget; and Carla A. Hills, Secretary of Housing and Urban Development, as defendants. The Comptroller General is being represented in this case by General Counsel *Paul Dembling*, and attorneys in his Special Studies and Analysis Section. The defendants will be represented by the Department of Justice.

### GAO Science Advisory Staff

A special science advisory staff has been established within the Science and Technology Subdivision of the Procurement and Systems Acquisition Division.

The duties of this group are to foster communication with the scientific and engineering community; strengthen GAO coordination and cooperation with the Office of Technology Assessment; identify resources which can be drawn upon for information and consultation to improve GAO's perspective on national issues involving science and technology; and, as appropriate, issue advisory communications to GAO operating divisions and offices.

*Osmund Fundingsland*, assistant director, has been designated to head this group.

Mr. Fundingsland, who has been with GAO since 1972, received a bachelor of arts degree (physics) from Augustana College, Sioux Falls, South Dakota, and a master of science degree (physics) from the Massachu-

setts Institute of Technology from 1946 to 1948. He was a research physicist at the Air Force Cambridge Research Center from 1948 to 1953 and a consultant to the Atomic Energy Commission nuclear fusion program from 1953 to 1956. He was involved in industrial research and development management and consulting for 18 years.

### Linkage

A useful practice in preparing an audit report is to link, where possible, the subject matter being evaluated with previous related work done by the auditor. This practice helps demonstrate the operation of the auditor's followup system and also dispels notions that the institutional memory is faulty.

A recent example of this practice was the GAO report to the Congress on "Opportunities for Savings in Interest Cost through Improved Letter-of-Credit Methods in Federal Grant Programs" (FGMSD-75-17, Apr. 29, 1975).

Since 1964, letters of credit have been authorized to enable recipients of Federal grants or contracts to obtain needed funds quickly and at the same time avoid drawing funds out of the U.S. Treasury too far in advance of needs. The GAO report summarized the results of a review of the use of advanced techniques for letter-of-credit financing for further reducing premature advances of Federal funds and thereby avoiding unnecessary interest costs.

In setting the background for the



findings and conclusions, the report referred to a 1963 study made under the Joint Financial Management Improvement Program. The joint program at that time was led by GAO, the Bureau of the Budget, and the Treasury Department. As a result of the JFMIP study, recommendations were made for using letter-of-credit procedures to prevent premature disbursements from the Treasury and unnecessary Treasury borrowing and related interest costs.

The appendix to the 1975 GAO report included excerpts from the 1964 progress report of the Joint Financial Management Improvement Program which described the letter-of-credit study and proposals in some detail. This material was written by Ray T. Bath, former Deputy Commissioner of the Treasury's Bureau of Accounts, and chairman of the JFMIP group that made the letter-of-credit study. Timothy Russell represented the Bureau of the Budget on the study group, and GAO was represented initially by *Phil Ward* and later by *Harold Bail*.

### **"From Auditing to Editing"**

GAO's newest contribution to the literature on improving the auditor's writing skills bears the title "From Auditing to Editing." Published late in 1974, it is the successor book to Laura Grace Hunter's "The Language of Audit Reports," first published in 1957 and reprinted several times. In addition to wide use in GAO, thousands of copies of the earlier book were sold by the Superintendent of

Documents to others.

The new book was a joint product of GAO consultants *Floyd L. Bergman*, *Mary L. Bradford*, *William E. Hoth*, and assistant director of the Office of Personnel Management *Harold R. Fine*. The project was under the general direction of *Leo Herbert*, former director of OPM.

The underlying theme of the 80-page book is stated simply in the foreword by the Comptroller General, *Elmer B. Staats*. He says: "Clarity is communicating in simple and direct language; we in GAO need to practice this art more skillfully." Copies of the book are available to all GAO staff members and is "must" reading and study.

In announcing public availability of the book—at \$1.45 a copy—the Superintendent of Documents describes it as follows:

Are you tired of lengthy memos and reports filled with meaningless gibberish? The General Accounting Office has come to your rescue. It has prepared this handbook to combat the rise of "gobbledygook" in government reports. Originally designed to assist GAO auditors in report writing, the handbook is packed with practical tips for improving anyone's business writing style. If writing memos or reports is part of your duties, in government or private industry, the handbook can be an excellent aid. It is divided into three parts. The first part discusses basic concepts behind better writing; the second part shows how to eliminate writing problems by taking time to edit correctly; and the final section includes several lists of words and expressions frequently misused, such as neither and either, affect and effect, and but, however, and since. The final section also contains 31 of the most troublesome phrases and examples of their proper usage.

## Highway Safety

Two years ago, a GAO report on "Problems in Implementing the Highway Safety Improvement Program" (B-164497(3), May 26, 1972) was submitted to the Subcommittee on Investigations and Oversight of the House Committee on Public Works.

The report provided an evaluation of progress in carrying out the highway safety improvement program since its inception in 1964. This program is a responsibility of the Federal Highway Administration in the Department of Transportation. GAO's assessment was that progress had been limited when viewed in the light of the deaths and injuries associated with highway hazards and that the lack of progress raised questions as to whether the Department of Transportation—and the States—had done enough to correct highway hazards.

The report also suggested setting aside a specific part of highway trust funds for correcting such hazards as one way to promote more efforts by States to improve highway safety.

On June 21, 1972, the Comptroller General testified on the report before the Subcommittee in connection with a highway safety bill which was then under consideration. The bill did not pass, but the safety features were re-introduced the following year and in March 1973 GAO testified on its report before the Subcommittee on Transportation of the House Committee on Public Works. A provision to reserve funds for the elimination of highway hazards was included in the Federal Highway Act of 1973. The

House report accompanying this bill highlighted GAO's role in supporting this provision.

That the subject—and the GAO report—have not been forgotten was brought out recently in an editorial in *The Washington Post* for May 7, 1975. The editorial expressed concern that adequate attention and enthusiasm for solving the problem still did not exist and that, while U.S. roads are among the finest, many serious hazards lurk beyond the pavements—guardrails and median barriers with exposed ends, sign posts set in concrete, cement headwalls, bridge abutments, etc. All of these can be booby traps.

The editorial stated:

Congressional concern goes back to 1967 when Rep. John A. Blatnik (D-Minn.) of the House Public Works Committee called the lack of roadside safety "an incredible story." The General Accounting Office investigated the failures and recommended that money be set aside to eliminate the hazards. To counter those who might dismiss this as the usual federal solution—throw money at a problem and it will go away—the GAO noted that "the cost effectiveness of highway safety improvement work, in terms of lives saved, was shown to be about five times greater than that of regular highway construction work." In response to such pressures, \$1.3 billion was made available through the Federal-aid Highway Act of 1973 for states to carry out a three year highway hazard removal program.

GAO reports do not solve problems—but they are an important source of information that helps throw light on problems of national significance and often suggests courses of action that contribute to solutions.

Key GAO staff members who prepared the highway safety report were

*Robert Higgins* of the Seattle regional office, *Larry Hoover* of the Denver regional office, and *Paul Rygaylo* of the Kansas City regional office, under the leadership of *Richard W. Kelley* and *Stanley S. Sargol* of the Resources and Economic Development Division.

### **GAO as a Source of Information**

From *Potomac Magazine* for April 6, 1975:

Don Gray, chief investigator for the Senate Commerce Committee, and an expert on organized crime, frequently uses the New York Times computerized index for background for an investigation. He reads the General Accounting Office's reports for objective evaluations of the effectiveness of federal programs.

### **GAO Standards Go Swedish**

GAO's statement of standards for audit of governmental organizations, programs, activities and functions, published in 1972, is being translated into Swedish. This information comes from A. B. Toan, Jr., partner in Price Waterhouse & Co., who adds:

It will be used as basic resource material in a project designed to develop governmental auditing standards, on which PW-Sweden is working with the Swedish Audit Board.

### **New Institute for Applied Public Financial Management**

An Institute for Applied Public Financial Management within a newly formed Center for Financial Management is being established by The American University with program operation commencing in fall 1975.

The center will develop specialized programs for segments of public service, not-for-profit operations, and business organizations.

The Institute for Applied Public Financial Management will have the objective of developing professional financial managers for Government in line with the needs described by the Government's Joint Financial Management Improvement Program—a cooperative operation of the five central management agencies in the Federal Government.

The institute's programs will be for Federal, State, and local government officials with the needs of the respective agencies and governments reflected in the courses, seminars, workshops, and integrated curricula. Special emphasis will be on projects for managerial problemsolving. The institute will stress successful performance as a practitioner. The programs will be for academic credit and are expected to lead to specialized degrees in the field.

Continual evaluation of the institute will be conducted by the university, the Joint Financial Management Improvement Program, and Government agencies to review effectiveness of program curriculum and courses, faculty, students, and the achievement of Government objectives.

The American University's School of Government and Public Administration in the College of Public Affairs, the School of Business Administration, and the College of Continuing Education are collaborating in operation of the institute. Activities will be coordinated with the Government's JFMIP.

Professor Raymond Einhorn, School of Business Administration, is serving as founding director for the center.

### **International Journal of Government Auditing**

This magazine, the first of its kind devoted to promoting better communications and better auditing by governmental auditors at all levels of government in all countries, is now in its second year of publication.

Sponsored by the International Organization of Supreme Audit Institutions—INTOSAI for short—the journal is published quarterly and contains articles on technical auditing subjects from many different countries. The April 1975 issue includes, in addition to articles by Dutch, Canadian, and British authors, an article by *Gregory J. Ahart*, director, Manpower and

Welfare Division, on “The Value of Surveys in Auditing.”

The journal is now being published in three languages—English, Spanish, and French. The English edition is produced in Washington, D.C. The Spanish edition—*Revista Internacional de Auditoria Gubernamental*—is produced in Caracas, Venezuela, and the French edition—*Revue Internationale de la Verification des Comptes Publics*—is produced in Toronto.

Editors are *E. H. Morse, Jr.*, and *Roland Sawyer* of GAO, *Renny Englebert* of Canada, and *Eduardo A. Penaloza* of Venezuela.

INTOSAI is a nongovernmental body composed of the top national auditors of countries who are members of the United Nations. The Board of Governors of 14 members includes *Elmer B. Staats*, Comptroller General of the United States.

### **Why Throw It Away?**

Americans generate about 4 pounds of garbage per person, per day. We're running out of places to dump it and wasting its valuable resources.

There is enough potential energy in the nation's garbage to light all our homes. It contains enough iron to make over 12 million automobiles.

*Wheelabrator-Frye, Inc.*  
Annual Report 1974

# Legislative Developments



BY JUDITH HATTER  
Chief, Legislative Digest Section

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## Impoundment of Homeownership Assistance Program Funds

The Senate agreed to a resolution, S. Res. 61, disapproving the proposed deferral of budget authority to carry out the homeownership assistance program under section 235 of the National Housing Act on March 13, 1975.

One month later, acting in accordance with the provisions of the Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344, July 12, 1974, 88 Stat. 297, the Comptroller General for the first time filed suit against the President of the United States in the United States District Court for the District of Columbia to secure the immediate release of the impounded section 235 funds.

In commenting on this action, Senator William Proxmire of Wisconsin stated:

\* \* \* As chairman of the Committee on Banking, Housing and Urban Affairs, I want to express my unqualified support for the Comptroller General's action.

\* \* \* \* \*

It is high time the administration restored the home ownership program.

\* \* \* \* \*

I endorse the Comptroller General's action and wish him success in his suit. I hope, however, that the President does not

force the Comptroller General to pursue this litigation.<sup>1</sup>

## Medical Devices Amendments of 1975

On April 17, the Senate passed and sent to the House of Representatives S. 510, to protect the public health by assuring the safety and effectiveness of medical devices, after agreeing to an amendment proposed by Senator Ancher Nelson which would require that any implanted medical device be subject to scientific review before it is approved for marketing unless the Secretary of Health, Education, and Welfare determines that such a device does not pose a health hazard.

During the debate on this proposal, the findings of a report by the Comptroller General were discussed to point out the need for provisions authorizing the Food and Drug Administration to establish mandatory medical device standards. The report was entitled "Food and Drug Administration's Investigation of Defective Cardiac Pacemakers Recalled By the General Electric Company" (B-164031(2), Mar.

<sup>1</sup> *Congressional Record*, vol. 121 (Apr. 17, 1975), p. S6102-03.

10, 1975).

**Cost Accounting Standards  
Board Depreciation Standards**

On April 14, before the Subcommittee on Production and Stabilization of the Senate Banking, Housing and Urban Affairs Committee, and again on May 1, before the Subcommittee on Economic Stabilization of the House Banking, Currency, and Housing Committee, the Comptroller General, who is chairman of the Cost Accounting Standards Board, discussed Cost Accounting Standard No. 409, Depreciation of Tangible Capital Assets. The Board believes this standard is a key-stone to the development of cost accounting standards for defense contracts. (See p. 67.)

Following the Comptroller General's testimony before the Senate Committee, Senator William Proxmire, in discussing the importance of the standard on the Senate floor, stated:

\* \* \* The issue involved in the controversy over the new depreciation standard is therefore very large. It is whether the public's interest in paying no more than allowable costs and reasonable profits on defense contracts will be protected, or whether contractors will continue to be allowed to hide their profits in depreciation costs.<sup>2</sup>

**Audit of the  
Federal Reserve System**

In announcing hearings to be conducted by the Subcommittee on Do-

mestic Monetary Policy of the House Banking, Currency, and Housing Committee on legislation to require GAO to audit the Federal Reserve System, Representative Wright Patman of Texas, original sponsor of the legislation, pointed out the clear need for a "top-to-bottom audit of the Federal Reserve System" and stated:

\* \* \* the possibility that the GAO might interfere with Federal Reserve operations is made even more remote since agencies and departments which have been subject to GAO audits for years have yet to complain that their policies or their programs were sabotaged by the GAO audit.<sup>3</sup>

On April 22, the Comptroller General presented GAO's views on the proposed legislation to the Subcommittee.

**Automatic Data Processing  
Equipment**

On March 20 Senator Lawton Chiles of Florida reintroduced a measure—designed to save up to \$150 million in Federal leasing of automatic data processing equipment—which was passed by the Senate but not acted on by the House of Representatives before the adjournment of the 93d Congress.

The legislation was recommended by the Commission on Government Procurement and supported by GAO in a report entitled "Multiyear Leasing and Governmentwide Purchasing of Automatic Data Processing Equipment Should Result in Significant Savings" (B-115369, April 30, 1971), and reaf-

<sup>2</sup> *Congressional Record*, vol. 121 (Apr. 17, 1975), p. S6079.

<sup>3</sup> *Congressional Record*, vol. 121 (Apr. 14, 1975), p. H2729.

firmed in a report entitled "More Competition Needed for the Federal Procurement of Automatic Data Processing Equipment" (B-115369, May 7, 1974).

The bill, S. 1260, authorizes the Administrator of General Services to enter into multiyear leases through use of the automatic data processing fund without obligating the total anticipated payments to be made under such leases.

### Appearances Before Congressional Committees

During the months of February, March, and April, the Comptroller General, the Deputy Comptroller General, and other GAO officials made 33 appearances before congressional committees and subcommittees to offer testimony on the work of GAO and various legislative proposals being considered.

### The Case for Profits

. . . in all fairness, we should appreciate the fact that profits are what drive this great economy. They provide the incentive for investment that is essential for acquiring the capital that in turn provides the technology that enables our country to grow more productive and efficient and support a higher standard of living. Profits also insure the discipline that forces businessmen to hold down costs. And to organize their operations more and more efficiently.

Also, if profits are too low, our economy cannot engender the capital essential for good jobs and an abundance of what we need for the good life.

*Senator William Proxmire*  
*Congressional Record*  
*January 21, 1975*

**William J. Anderson**



William J. Anderson was designated an associate director in the Manpower and Welfare Division on March 3, 1975. He is responsible for audits of health research, resources, and services. On June 16, he was designated deputy director of the General Government Division, succeeding John D. Heller.

Mr. Anderson served in the Army as a Russian linguist from August 1948 to July 1952. He received a bachelor of science degree in foreign service in international commerce, *cum laude*, from Georgetown University, School of Foreign Service, in 1956; a bachelor of science degree in business administration, *cum laude*, from Georgetown University, School of Business Administration, in 1961; and a master of business administration degree from the American University in 1966. In 1973, he attended the Executive Development Program at Cornell University.

At the time he joined the General Accounting Office, Mr. Anderson was chief accountant and a corporate officer of a mechanical contracting firm. Since he joined GAO in 1962, he has had diverse assignments, including responsibilities for audits of the National Aeronautics and Space Administration; U.S. Forest Service; Atomic Energy Commission; the Far East Branch, International Division, in Honolulu; and the U.S. Postal Service.

Mr. Anderson is a member of the National Association of Accountants and the Federal Government Accountants Association. He received the GAO Meritorious Service Award in 1967 and a superior performance award in 1968.





**William N. Conrardy**

William N. Conrardy has been designated regional manager of the San Francisco regional office, effective about September 1, 1975.

Mr. Conrardy graduated from the University of Wisconsin in 1949, completed the Advanced Executive Development Program at Stanford University Graduate School of Business, and is a CPA in the States of Wisconsin, Utah, and Washington. He joined the General Accounting Office in 1949 and initially worked out of Washington, D.C. Later, he served in the St. Paul and Denver regional offices and as manager of the Salt Lake City regional office. He was assigned to the European Branch in Paris from 1955 to 1958 and was appointed manager of the Seattle regional office in 1959.

Since 1972, he has served as director, Office of Program Planning, and also as GAO's director, Equal Employment Opportunity.

Mr. Conrardy is a member of the American Institute of CPAs, the American Academy of Political and Social Science, the American Society for Public Administration, the Planning Executives Institute, and the World Future Society.

**John F. Flynn**



John F. Flynn was designated deputy director (general procurement management) of the Procurement and Systems Acquisition Division and assumed this responsibility on February 20, 1975.

Mr. Flynn joined CAO in 1952 after serving in various accounting capacities for a number of years in public accounting and in private industry.

He served in the U.S. Navy from 1943 to 1945 as a naval pilot. Mr. Flynn graduated from the Bentley School of Accounting and was graduated *cum laude* from Northeastern University with a B.B.A. degree in June 1952. He graduated from the National War College in June 1973 and received an M.S. degree in International Affairs from George Washington University.

Mr. Flynn is a CPA (Massachusetts) and a member of the American Institute of Certified Public Accountants and the Federal Government Accountants Association.



**John D. Heller**

John D. Heller was designated director, Office of Program Planning, to succeed William N. Conrardy who becomes the manager of the San Francisco regional office.

Mr. Heller had been the deputy director of the General Government Division since September 1973 and prior to that the associate director for health activities of the Manpower and Welfare Division.

Mr. Heller joined GAO in 1959. He received his bachelor of science degree in accounting from King's College in 1959 and attended the Program for Management Development at Harvard in 1968. He is a CPA and a member of the American Institute of CPAs and the National Association of Accountants.

In 1961 and 1972 he received the GAO Meritorious Service Award, and in 1967 he received the William A. Jump Memorial Award.

**Morton E. Henig**



Morton E. Henig was designated deputy director for organization, staffing, and planning in the Manpower and Welfare Division, effective March 10, 1975.

Mr. Henig served with the U.S. Army in 1946 and 1947. He joined GAO in September 1951 after graduating from Rutgers University where he received a bachelor of science degree. He completed the Advanced Management Program, Harvard Graduate School of Business Administration, in the spring of 1970.

He was assigned to the European Branch in London and Frankfurt between 1957 and 1961 and rejoined the former Civil Division in January 1962. With that division he held responsible positions relating to work at the Bureau of Public Roads, the National Aeronautics and Space Administration, the Office of Economic Opportunity, and the Department of Labor. He has served as an associate director in the Manpower and Welfare Division since April 1972, responsible for GAO's work in education and manpower training programs.

He received the GAO Meritorious Service Award in 1962 and again in 1967.



**Walter C. Herrmann, Jr.**

Walter C. Herrmann, Jr., was designated manager of the Detroit regional office, effective July 1, 1975.

Mr. Herrmann served in the U.S. Air Force from 1952 to 1956. He received a bachelor of science degree in accounting (with honors) from the University of Louisville in 1959 and a master of business administration from Xavier University in 1973. He completed the Management Program for Executives at the Graduate School of Business of the University of Pittsburgh in 1968.

Mr. Herrmann is a CPA (California) and a member of the American Institute of Certified Public Accountants and the Cincinnati Federal Business Association. He is also a member of the Cincinnati chapter of the Federal Government Accountants Association in which he served as vice president in 1971 and president in 1972.

Since joining the General Accounting Office in 1959, Mr. Herrmann has served in the Los Angeles and Cincinnati regional offices. He has been an assistant regional manager in Cincinnati since 1971. He received the GAO Meritorious Service Award in 1961.

**Charles O. Magnetti**



Charles O. Magnetti was designated director, Office of Personnel Management, effective March 10, 1975.

Mr. Magnetti joined the General Accounting Office early in 1942 and was assigned to the Audit Division where he progressed through several intermediate positions to the position of administrative officer. He transferred to the Division of Personnel as chief, Classification Section, in September 1951 and a year later, when the Classification and Standards Sections were combined, he was placed in charge. In November 1969, he was designated assistant director, Personnel Operations, of the Office of Personnel Management.

Mr. Magnetti attended Fordham University and received his J.D. degree from National University (now George Washington University) in 1950, graduating first in his class. He was elected to the National University Honor Society and was awarded the Sigma Delta Kappa Scholastic Key as the graduating member having the highest scholastic standing during 4 years of study.

Mr. Magnetti is a member of the District of Columbia and Maryland bars and in 1967 was admitted to practice before the U.S. Supreme Court.



**Andrew B. McConnell**

Andrew B. McConnell was appointed an associate director in the General Procurement Subdivision, Procurement and Systems Acquisition Division, effective February 25, 1975. From July 1969 until his new appointment, he served as an assistant director for major acquisitions in the same division.

Mr. McConnell served in the U.S. Navy from 1943 to 1946. After receiving a bachelor of science degree from the University of Southern California in 1950, he went to work in public accounting. He was employed by Meyer Pritkin and Company and Alexander Grant & Company in Los Angeles. From 1953 to 1957, Mr. McConnell was the Comptroller of Imperiale Fuels Ltd. in London, Ontario, Canada, a wholesale and retail fuel distribution firm.

Since joining GAO in 1957, Mr. McConnell has had a wide variety of responsibilities, serving in the Defense Division; the Far East Branch in Tokyo, Japan; and the Procurement and Systems Acquisition Division.

Mr. McConnell is a CPA (California) and a Chartered Accountant (Ontario, Canada). He is a member of the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Institute of Chartered Accountants of Ontario, and the Canadian Institute of Chartered Accountants.

He received a superior performance with cash award in 1961 and the GAO Meritorious Service Award in 1970.

Mr. McConnell completed the residence course at the Industrial College of the Armed Forces in June 1974. He also completed the course work for the master's program in the management of national resources at The George Washington University 1973-74.

**Charles H. Moore**



Charles H. Moore, manager of the Detroit regional office for 17 years, retired from the General Accounting Office on December 27, 1974.

Mr. Moore joined GAO in 1944 and served in various capacities at Oak Ridge, Tennessee; Indianapolis, Indiana; and Atlanta, Georgia. In July 1957 he was designated manager of the Detroit regional office.

He is a certified public accountant (Georgia and Michigan). In 1967 he received the GAO Distinguished Service Award.

After his retirement, Mr. Moore became administrative director of the Children's Aid Society, the largest private foster home agency in Michigan.





**Charles H. Roman**

Charles H. Roman, director of the Far East Branch since March 1963, retired from active service in the General Accounting Office in July 1975. Headquarters for this branch, initially located in Tokyo, Japan, have been in Honolulu, Hawaii, since 1965.

From 1959 to 1963, Mr. Roman served as an assistant director in the Defense Accounting and Auditing Division. Prior to that he had varied experience in several audit divisions in Washington and a 2-year tour with the European Branch in Paris, France. He joined GAO in 1947.

Mr. Roman served with the Army from 1942 to 1946. He received a B.S. degree in accounting from Ohio State University in 1947. He attended the Advanced Management Program at the University of Hawaii in 1968.

In 1968 he received the GAO Distinguished Service Award.

**Walton H. Sheley, Jr.**



Walton H. Sheley, Jr., was designated director of the Far East Branch effective July 1975. In this capacity he will be responsible for all GAO activities in that area. He succeeds Charles H. Roman, who is retiring from active service in the General Accounting Office.

Mr. Sheley joined GAO in the Dallas regional office in April 1954. He was designated manager of the New Orleans regional office in July 1963. He returned to Dallas as regional manager in January 1965 and served in that position until his recent reassignment. Prior to joining GAO he was on the staff of both a local and a national CPA firm.

Mr. Sheley is a graduate of Memphis State University with a B.S. degree in accounting. He is a certified public accountant (Tennessee): attended the Stanford Executive Program, Stanford University, and the Federal Executive Institute at Charlottesville, Virginia; and is a member of the faculty advisory board at North Texas State University in Denton, Texas.

His professional affiliations include the American Institute of Certified Public Accountants and the Federal Government Accountants Association.



**Hugh J. Wessinger**

Hugh J. Wessinger was designated associate director in the Resources and Economic Development Division, effective March 3, 1975. In this position, he is responsible for planning, directing and reporting on GAO work in the Department of Transportation, the Washington Metropolitan Area Transit Authority, the National Railroad Passenger Corporation, the U.S. Railway Association, and the Consolidated Rail Corporation.

Mr. Wessinger served in the U.S. Navy from 1952 to 1956. He joined GAO in 1959, after receiving a bachelor of science degree in business administration with a major in accounting from the University of South Carolina. He has had a wide variety of experience in the audit of Government programs, including audits of the Federal Housing Administration, the Maritime Administration, Department of the Interior, Veterans Administration, and the Atomic Energy Commission.

Mr. Wessinger is a CPA (Virginia) and a member of the American Institute of CPAs. He received the GAO Meritorious Service Award in 1969 and 1974.

## Other Staff Changes

### **New Directors**

#### **Office of Administrative Services**

Larry A. Herrmann

#### **International Division— Latin American Branch**

George L. De Marco

### **New Deputy Director**

#### **Office of Personnel Management**

Ashton C. Morris

### **New Assistant Directors**

#### **Resources and Economic Development Division**

Francis K. Boland  
Ralph V. Carlone  
Thomas D. Reese

#### **Logistics and Communications Division**

Wilbur W. Bailey

#### **Financial and General Management Studies Division**

Samuel N. Mento

#### **Manpower and Welfare Division**

Frank D. Etze

#### **Transportation and Claims Division**

Allen W. Sumner

#### **International Division—Washington**

Theodore J. Becker

#### **International Division—European Branch**

William B. Ludwick

#### **New Senior Attorney**

Ronald Berger

### **New Assistant Regional Managers**

#### **Chicago**

Fred E. Lyons

#### **Seattle**

Ray S. Hausler

#### **Retirement**

#### **Los Angeles**

Samuel Kleinbart—assistant  
regional manager

# Professional Activities



## Office of the Comptroller General

The Comptroller General, *Elmer B. Staats*, addressed the following groups: National Conference on American Federalism in Action, sponsored by the Advisory Commission on Intergovernmental Relations, Washington, D.C., on "The New Mix of Federal Assistance: Categorical Grants, Block Grants and General Revenue Sharing—Different Approaches with Different Management and Money Implications," February 21.

The Brookings Institution's Conference for Business Executives on Federal Government Operations, Washington, D.C., on "Role of the General Accounting Office," March 10.

Senior Seminar in Foreign Policy, Foreign Service Institute, Department of State, Washington, D.C., on "Role and Functions of the General Accounting Office," March 14.

U.S. Chamber of Commerce Conference (Government Operations and Management Committee), Washington, D.C., on "Activities of the Commission on Federal Paperwork," March 26.

Seminars, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, on "GAO Role as an Oversight Arm of the Congress" and "Congress in Congressional Budget Reform and Program Evaluation," April 2.

Following are recently published articles of the Comptroller General:

"Social Audits and Corporate Responsibility," *Planning Review*, October-November, 1974.

"New Problems of Accountability for Federal Programs," chapter 2 of *The New Political Economy*, edited by Bruce L. R. Smith, Carnegie Corporation of New York 1975, The Macmillan Press Ltd., London and Basingstoke.

Mr. Staats received an honorary degree of Doctor of Laws at commencement exercises of Duke University, May 11.

*E. H. Morse, Jr.*, Assistant Comptroller General, participated in a videotaped seminar on "Your Government Too," produced by the Department of Agriculture Graduate School for Continuing Education, March 22. His participation consisted of an interview at television station WETA on the role of GAO as an arm of the Congress.

Mr. Morse addressed the Federal Government Accountants Association seminar on "GAO Responsibilities and Activities under the Congressional Budget and Impoundment Control Act of 1974" in Huntsville, Ala., April 11.

Recently Mr. Morse was designated as a member of the Advisory Board of the William A. Paton Center for Accounting Education and Research at the Graduate School of Business Administration, University of Michigan.

### Office of the General Counsel

*Paul G. Dembling*, general counsel: Addressed a Contract Formation Course at the National Law Center, The George Washington University, on "New Dimensions of the GAO," February 24.

Addressed the Federal Bar Association's Briefing Conference on Government Contracts on "The Effect of Inflation and Recession on Government Contracting: the GAO View," March 19, Philadelphia.

Addressed the 7th Annual National Contract Management Association Symposium—"The Government Acquisition Process"—on "Bid Protest in the Acquisition Process," April 10, in Houston.

Moderated a panel on "Unsettled Worlds in Federal Grants: Legal Rights and Remedies" before a National Briefing Conference on Federal Grants sponsored by the Federal Bar Association in cooperation with The Bureau of National Affairs, Inc., April 4.

*Paul Shnitzer*, associate general counsel, participated in a panel discussion on "Inflation and Recession" before the Briefing Conference on Government Contracts, March 5, in Philadelphia.

*Vincent A. LaBella*, deputy assistant general counsel, addressed the Fort Monmouth, N.J., chapter of the National Contract Management Association on "Bid Protest—Chance or No Chance," April 24.

*Ronald Wartow*, senior attorney, spoke before the Denver chapter of the National Contract Management Association on "Bid Protests Before the General Accounting Office—Who Wins and Who Loses" and "Inflation, Cost Escalation and the General Accounting Office," February 18.

*Thomas F. Williamson*, senior attorney, spoke before the Maryland chapter of the American Society for Public Administration on "Impoundment—How the Controls Will Work," February 27.

*Henry R. Wray*, senior attorney, participated in a panel discussion on "The General World of Federal Grants" before the National Briefing Conference on Federal Grants sponsored by the Federal Bar Association in cooperation with The Bureau of National Affairs, Inc., April 3.

*Bruce Goddard*, attorney-adviser, addressed a Forest Service Pay Management Workshop on "Interpreting the Law," April 15.

*Jacqueline Goff*, attorney-adviser, spoke on "Law School Experience and Legal Careers for Women" and "Equal Employment Opportunity Discrimina-

tion Complaints" at the State University of New York, Oneonta, March 7.

### **Office of Congressional Relations**

*Martin J. Fitzgerald*, legislative attorney, discussed the role and functions of GAO on April 4 before a combined group of students from American University and from other colleges participating in America's Washington Semester program. On May 13, Mr. Fitzgerald met with a group of students from Villanova University and Lycoming College who were attending American's Washington Minimester program; Mr. Fitzgerald again addressed the topic of GAO's role as an independent review agency in the legislative branch.

### **Office of Program Analysis**

*Dennis J. Dugan*, associate director, spoke at the Joint Financial Management Improvement Program's Fourth Financial Management Conference on "The Nature of the Current Inflation Problem" at the Sheraton Park Hotel, Washington, D.C., January 20. Mr. Dugan also spoke at a Tufts University seminar on "The 1976 Budget: Fiscal and Energy Alternatives" on March 5, in Medford, Mass.

### **Office of Program Planning**

*Ray S. Hausler*, assistant director, presented a case study in management by objectives for the Civil Service Commission's executive program in planning and leadership, Washington,

D.C., March 25.

*Phillip S. Blackerby*, management analyst, was appointed Associate Member of the American Institute of Planners, March 1.

### **Office of Staff Development**

*Vicki Emerson*, staff manager, led a seminar for 100 government managers and specialists on "Performance Planning and Appraisal" at the National Capital Area Chapter, American Society for Public Administration workshop on Strategies for Organizational Improvements, March 20.

### **Office of Special Programs**

*Monte Canfield, Jr.*, director, addressed the following groups:

The American Academy of Political and Social Sciences on "Government Response to Commodity Shortages" at Philadelphia, April 12.

The National Economists Club on "Which Alternative for Energy Policy?", April 30, in Washington, D.C.

*J. Dexter Peach*, deputy director, participated as a panelist in the National Urban Fellows and Minorities in Management Seminar sponsored by the Institute of Management, School of Business and Public Administration, Howard University, April 10.

### **Federal Personnel and Compensation Division**

*Forrest R. Browne*, director, spoke at the seminar for new managers at

the Civil Service Commission Executive Seminar Center, Kings Point, N.Y., on March 21. His topic was "Personnel Management and Compensation in the Federal Government."

*David P. Sorando*, deputy director, and *Paul C. Newell*, assistant director, addressed the National Capital Area Chapter, American Society for Public Administration, on "What Did We Learn from Project Reflex," March 20.

*Clifford I. Gould*, associate director, attended the Senior Executive Education Program, March 2 through April 18, at the Federal Executive Institute, Charlottesville, Va.

### Financial and General Management Studies Division

*Donald L. Scantlebury*, director:

Spoke on the activities of the National Intergovernmental Audit Forum at the Pacific Northwest Regional Audit Forum meeting on February 13 in Portland, Oreg. He also participated in a panel discussion on how best to make committees work and forums effective.

Was keynote speaker at the Portland chapter, FGAA, second annual Financial Management Symposium in Portland, Oreg., February 14. He spoke on "The Role of the Auditor in Protecting the Public Interest."

Addressed a joint dinner meeting of the Huntsville chapters of FGAA and the Institute of Internal Auditors at Huntsville, Ala., March 10. His subject was "Can the Auditor Sur-

vive the Computer Age?"

Gave a speech on this same subject to the joint dinner meeting of the Detroit chapters of FGAA and the Institute of Internal Auditors at Detroit, Mich. on April 1, and to the Richmond chapter FGAA dinner meeting in Richmond, Va., on April 15.

Spoke on the "Congressional Budget and Impoundment Control Act—Its Effect upon Accountants and Auditors" at the Washington chapter, FGAA, luncheon meeting in Washington, D.C., April 10.

*Fred D. Layton*, deputy director, attended the Civil Service Commission Executive Seminar on National Economy and Public Policy, Kings Point, N.Y., February 2-14.

*James Oliver*, deputy director, and *Keith E. Marvin*, associate director, jointly discussed the Congressional Budget and Impoundment Control Act and GAO work related to the program evaluation provisions of the act at a Federal Executive Institute workshop, Charlottesville, Va., April 22.

Mr. Marvin chaired meetings on February 27 with Senator Bill Brock (R.-Tenn.) as keynote speaker, and on April 17 with Congressman Joseph L. Fisher (D.-Va.) as keynote speaker in the Senate and House caucus rooms as part of a congressional series jointly sponsored by the Washington Operations Research Council and the D.C. chapter of The Institute for Management Sciences.

*Walter L. Anderson*, associate director:



Spoke to 18 distinguished visiting Japanese businessmen at the Kansai Seminar in Washington, D.C., on February 11. The purpose of the seminar was to exchange ideas on the information society of the future. His topic was "The GAO in the Year 2000." The other speakers were: Dr. Frank Ryan (Director, Information Systems for the U.S. Congress), Dr. Joe Pechman (Director, Economics Division, the Brookings Institution), Mr. Herb Schwartz (Director, Management Information and Telecommunication Systems, Energy Research and Development Administration) and Dr. Carl Hammer (Director, Computer Sciences, Sperry UNIVAC Computer Systems).

Spoke on the GAO view of procurement in automatic data processing at the WEMA (formerly Western Electronic Manufacturers Association) program, Washington, D.C., March 18.

*George L. Egan*, assistant director, and *John J. Adair*, supervisory auditor, were instructors for a "Seminar on Internal Auditing in Federal Agencies" on April 7, at the Interagency Auditor Training Center, Bethesda, Md.

*Earl M. Wysong, Jr.*, assistant director:

Addressed the Accounting Club of Howard County Community College in Columbia, Md., on April 10. His topic was "The Role of ADP in Accounting Systems."

Addressed the "Seminar on Computers in Financial Management"

for the Civil Service Commission in Washington, D.C., May 1. His topic was entitled "GAO's Approval of Accounting Systems Design."

Received the Merit Award from the Association of Systems Management at a banquet in Beltsville, Md., April 26.

Received an award from the Washington chapter of the Federal Government Accountants Association for outstanding achievement in financial management at the chapter's annual awards luncheon in Washington, D.C., May 8.

Was elected vice president of the Patuxent chapter of the Association for Systems Management for the upcoming year.

Was appointed seminar chairman for the annual seminar to be sponsored by the Chesapeake Division of the Association for Systems Management in Annapolis, Md., on August 7, 1975.

*Howard R. Davia*, assistant director, discussed GAO accounting system requirements at an Interagency Auditor Training Center class on April 8 at Bethesda, Md.

*John J. Cronin, Jr.*, assistant director, spoke on "Operational Auditing and Effective Communication of Audit Results to Management" at the Midwestern Regional Audit Forum Conference Chicago, Ill., April 22.

*Bill Johnston* and *Karen Bracey*, operations research analysts, and *Richard Fogel*, audit manager, General Government Division, presented a paper on "GAO's Experience in

Assessing the Effectiveness of Probation” at the Joint Washington Operations Research Council and The Institute of Management Science 1975 Symposium on Operations Research and Management Science in Justice and Security, March 11, at the George Washington University, Washington, D.C.

Mr. Johnston received his M.B.A. degree in managerial economics from the George Washington University in February.

*John Schultz*, audit manager, spoke on “Computer-Related Crimes in the Federal Government” as part of a training program given to Department of the Interior auditors on April 2.

*Ronald Kozura*, supervisory financial systems analyst, spoke to a group of internal auditors at the Department of the Interior on “Review Requirements for Automated Accounting Systems” on April 7.

### Joint Financial Management Improvement Program

*Donald C. Kull*, executive director, addressed the following groups:

CSC training course on Productivity Concepts for Management on “Report on Federal Productivity” on February 13 at the Civil Service Commission in Washington, D.C.

Federal Executive Board Productivity Seminar on “Report on Federal Productivity” on March 14 in Philadelphia, Pa.

Federal Executive Board Productivity Seminar on “Report on Federal

Productivity” on April 29 in New York.

National Conference of the American Society for Public Administration on “Inflation and Financial Management” on April 2 in Chicago.

Spring Institute of the Wisconsin chapter of the International Association of Personnel in Employment Security on “Continuing Efforts to Measure and Improve Productivity in the Federal Government” on April 12 in Milwaukee, Wis.

Federal Executive Institute on “Productivity and the JFMIP” on April 23 in Charlottesville, Va.

*Brian L. Usilaner*, assistant director, addressed the following groups:

Los Angeles County Board of Supervisors on “The Federal Productivity Effort” on February 21 in Los Angeles.

Management officials of the city of Los Angeles on “The Federal Productivity Effort” on February 24 in Los Angeles.

HUD region 9 on “Using Productivity in the Budget Process” on February 25 in San Francisco.

Annual Conference of the American Society for Public Administration on “The Human Approach Toward Improving Productivity” on April 1 in Chicago.

*Mortimer A. Dittenhofer*, assistant director, addressed the following groups:

Faculty workshop and senior audit class on the “Audit Standards and Performance Auditing” at Arizona

State University, on March 12 in Tempe, Ariz.

Inland Empire chapter of Internal Auditors on "Audit Standards" on March 12 in San Bernardino, Calif. Training seminar for the audit staff of the State of Oregon on "Auditing Under the GAO Standards" on March 13-14 in Salem, Oreg.

Baltimore chapter of the Institute of Internal Auditors on "The Audit Standards" on March 19 in Baltimore.

Pittsburgh chapter of the Institute of Internal Auditors on "Audit Standards" on April 15 in Pittsburgh.

National Conference of the Municipal Finance Officers Association of the United States and Canada on "Performance Auditing" on April 28—May 1 in Montreal, Canada.

Mr. Dittenhofer conducted a workshop on "The Use of Internal Auditors and Audit Standards" for the Institute of Internal Auditors Seminar on April 16 in Baltimore.

### General Government Division

*Stephen J. Varholy*, assistant director:

Has been named co-winner of the William A. Jump Memorial Award for 1975. The award is presented annually to recognize outstanding service in the field of public administration by Federal employees under 37 years of age.

Spoke March 6 on "Dynamics of Fiscal Federalism" at the Intergovernmental Relations Seminar con-

ducted by the Civil Service Commission in Oak Ridge, Tenn.

Spoke April 21 on "Intergovernmental Relations" at the National Economy and Public Policy Seminar conducted by the Civil Service Commission also in Oak Ridge.

*W. Thomas Reed*, supervisory auditor, is teaching a course in economics during the evening sessions at the Northern Virginia Community College, Alexandria, Va.

*Jacob P. Glick*, supervisory auditor, on March 27 briefed the Interagency Committee on Marine Science and Engineering of the Federal Council for Science and Technology on GAO's observations concerning the need for a national ocean program and plan.

*Richard L. Fogel*, supervisory management analyst, spoke on March 11 before a Washington operations research symposium on justice and security regarding GAO's experience in assessing the effectiveness of probation.

*Thomas J. Jurkiewicz* received his M.B.A. degree with emphasis in government business relations from the George Washington University.

### International Division

*Frank M. Zappacosta*, assistant director, and Director of Professional Development for the Washington chapter, National Association of Accountants, presented a case study on operational auditing, "Review of AID Financial Project in Africa," to the Washington chapter of the association on May 13.

## Logistics and Communications Division

*Charles R. Comfort*, assistant director, addressed the Advanced Transportation Management Course at the Naval School of Transportation Management, Oakland, Calif., on April 22. He spoke on GAO contributions to improving military transportation operations.

*Werner Grosshans*, associate director:

Conducted a training session for the Interagency Auditor Training Center in San Francisco on January 27 and 28. The course, Program Evaluation, was developed specifically to assist the audit manager and supervisory auditor in becoming more effective in his role as an auditor and manager of resources. The course emphasized practical applications and highlighted operational auditing for program results (effectiveness) reviews.

Conducted a training session for the Interagency Auditor Training Center in Bethesda, Md., on February 18-21. The course, Executive Development of Auditors I, was developed to increase the supervisory auditor's proficiency and to provide him with a foundation of practical management knowledge so as to improve his managerial performance on the audit job.

*Mr. Grosshans* and *Carmen Smarrelli*, assistant director:

Appeared before the Industrial College of the Armed Forces to discuss the report "Stockpile Ob-

jectives of Strategic and Critical Materials Should be Reconsidered Because of Shortages."

Were guest panelists at a session on facilities and property management sponsored by the Aerospace Industries Association of America, Inc. The session was held in Arlington, Va.

*Bernard W. Sewell*, assistant director, addressed the Officers and State Directors of the National Association of State Agencies for Surplus Property at their mid-winter meeting in Washington, D.C. He discussed GAO's review of the Federal Surplus Property Program as it related to State agencies and to donees within the States.

## Manpower and Welfare Division

*Gregory J. Ahart*, director, addressed the following groups:

Annual seminar of the Boston chapter, Federal Government Accountants Association, in Newton, Mass., on "Evaluating Program Performance—Health Maintenance Organization," May 13.

Workshop on Program Management and Evaluation, U.S. Civil Service Commission, Federal Executive Institute, Charlottesville, Va., on April 21. Subject: "Trends in Program Management and Evaluation."

Joint Conference of the National Advisory Council on Vocational Education/State Advisory Councils on Vocational Education at the International Inn, Washington, D.C., on May 1. Subject: "Challenge for

Vocational Education.”

Joint Department of Labor/New York State School of Industrial and Labor Relations Conference, Cornell University, Ithaca, N.Y., on May 8.

Subject: “Evaluation of Nonconstruction Portion of the Federal Contract Compliance Program.”

*Morton E. Henig*, deputy director, and *Harold L. Stugart*, associate director, addressed the Manpower Policy Counselors, Legislative Policy Conference, on the legislative recommendations in GAO’s report entitled “What Is The Role Of Federal Assistance For Vocational Education?” (B-164031 (1), Dec. 31, 1974). The conference was held in Washington, D.C., on March 25.

*William J. Anderson*, associate director, addressed the Southern New England chapter of the Institute of Internal Auditors, in Hartford, Conn., on April 8 on GAO’s audits of the U.S. Postal Service, for which he was responsible before his transfer to the Manpower and Welfare Division.

*James F. Walsh*, audit manager, and *Milan Hudak*, supervisory auditor, participated in a panel discussion during the National Urban Fellows Spring Seminar sponsored by the Institute of Management, School of Business and Public Administration, Howard University, Washington, D.C., on April 11. The seminar dealt with the implications of the Comprehensive Employment and Training Act on local governments.

*William A. Gerken*, supervisory auditor, spoke on the GAO report entitled “Problems Of The Upward Bound Program In Preparing Dis-

advantaged Students For A Postsecondary Education” (B-164031(1), Mar. 7, 1974) at a training workshop for project directors sponsored jointly by the District of Columbia Consolidation for Educational Services and the Maryland Executive Council for Educational Opportunities. The workshop was held on April 11 at the Friendship Hotel, Baltimore-Washington International Airport.

*Carol A. Codori*, supervisory auditor, received a license to practice psychology in the District of Columbia. The license is granted to professionals having postdoctoral experience in a specialty field.

### **Procurement and Systems Acquisition Division**

*Richard W. Gutmann*, director:

Spoke before a special Japanese Financial Management Study Team on the division’s role and interface with private industry at Washington, D.C., on February 20.

Addressed the Naval Sea Systems Command’s Management Forum at Washington on March 4. He spoke on “What Does GAO Look For and What GAO Finds and What We do Not Look For.”

Spoke on “Independent Research and Development” at the WEMA Special Program on Federal Procurement Policy at Washington, D.C., March 18. WEMA is an association serving the electronic and information technology industries.

Spoke to The Brookings Institution’s group of visiting M.I.T. business

executives on the role of the General Accounting Office, Washington, D.C., on April 2.

*Jerome H. Stolarow*, deputy director:

Spoke at the Defense Systems Management School, Ft. Belvoir, Va., before the General/Flag Officers Orientation Course Participants regarding "GAO Activities in System Acquisition" on April 1.

Participated in a seminar on "General Accounting Office and Defense Management" at the Industrial College of the Armed Forces, Ft. Lesley McNair, Washington, D.C., on April 9.

Spoke before students of the Navy Logistics Management School, Washington, D.C., on April 22.

*John G. Barmby*, assistant director:

Gave a presentation at the American Institute of Aeronautics and Astronautics Tactical Missiles Conference in St. Louis, April 29 to May 1, entitled "Legislative Consideration of Proliferation."

Discussed the "Legislative Review of Research and Development—The GAO Audit Functions" at the Civil Service Commission Executive Institute on Management of Scientific and Engineering Organization at Washington on April 9.

*Sam Pines*, assistant director, has been designated National Committee chairman to chair next year's National Chapter Activities Committee of the Federal Government Accountants Association, beginning July 1.

## Resources and Economic Development Division

*Henry Eschwege*, director, addressed the Brookings Institution Program of Conferences for Business Executives on Federal Government Operations, Washington, D.C., on an overview of GAO and its responsibilities, May 12.

*Wilbur D. Campbell*, associate director, appeared as a panelist at the National Civil Service League Conference on "Revenue Sharing and Recession—Housing Assistance and Community Development," April 14.

*Clarence P. Squellatti*, assistant director, attended the Seminar for Advancing Managers at the Civil Service Commission's Executive Seminar Center, Kings Point, N.Y. During a roundtable dialogue he gave a presentation on "GAO and Modern Management," April 14-May 2.

*Robert E. Allen*, assistant director, attended the Seminar for New Managers at the Civil Service Commission's Executive Seminar Center, Kings Point, N.Y., March 10-28.

*Frank V. Subalusky*, assistant director, was elected vice president of the Washington chapter of the National Association of Accountants for the 1975-76 chapter year.

*Raymond Smith*, supervisory auditor, participated in the Water for Energy Conference in Billings, Mont., March 30-April 2.

## Transportation and Claims Division

*T. E. Sullivan*, director, addressed

the Association of American Railroads in Louisville, Ky., June 9-10, on the upcoming transfer of the transportation audit function from GAO to GSA, revised transportation documents, and other matters of mutual interest in the audit of carriers' bills.

*C. C. Loomis*, chief, motor audit branch, spoke at the U.S. Naval Transportation Management School, Oakland, Calif., April 22.

### Field Operations Division

*Marvin Colbs*, regional manager, Atlanta, addressed students in the Comptroller's Course at the Air University, Maxwell AFB, Ala., on February 24 and addressed members of the Institute of Internal Auditors at Orlando, Fla. on February 26.

*Elkins Cox*, Atlanta region, addressed the Florida State University chapter of Beta Alpha Psi on February 26, 1975.

*Paul M. Foley*, assistant regional manager, Boston, spoke on March 27 to representatives of various Air Force Commands at the Electronic Systems Division, Hanscom Field, Mass. He discussed GAO's functions with particular emphasis on procurement and systems acquisition. *Joseph F. Haran*, supervisory auditor, assisted Mr. Foley during the question and answer period.

*John R. Dial*, audit manager, Cincinnati, spoke on March 6 to the Beta Alpha Psi fraternity of the University of Cincinnati on "Opportunities for Accountants with the Federal Government."

Two Cincinnati staff members, *Aleen*

*Johnson* and *Daisy Warren*, spoke on April 10 to a group of female high school students on "Opportunities in the Federal Government for Women in Accounting."

The following Cincinnati staff members spoke to local high school students on "The Budgetary Process of the Government": *Walter C. Hermann, Jr.*, *Dale E. Ledman*, *George J. Buerger*, *Daniel L. McCafferty*, *Donald J. Heller*, *John R. Dial*, *John S. Brown*, and *Donald L. Allgyer*.

*Irwin M. D'Addario*, regional manager, Denver, spoke on the "Role of GAO" before the Brigham Young University chapter of Beta Alpha Psi, national accounting fraternity, on March 13.

Mr. D'Addario; *John E. Murphy* and *David A. Hanna*, assistant regional managers; *Clare E. Onstad*, *Joseph I. Alvarez*, and *Arthur D. Trapp*, supervisory auditors; and staff members *Anthony J. Gonzales*, *Holly A. Hansen*, and *Alan J. Wernz* took part in the Denver Expo '74 Career Fair, February 21-27.

Mr. Murphy also spoke to the Pueblo Army Depot Division Officers Club in January and to the Pueblo Army Depot Foreman's Club in February. He described the functions and responsibilities of GAO to the two groups.

Mr. D'Addario, *Edgar L. Hessek* and *George D. Doyle*, audit managers, participated in a Performance Audit Institute, sponsored by the University of Denver for county and local officials, on March 21.

Mr. Doyle also took part in a panel

discussion on "The Congressional Budget and Impoundment Control Act of 1974" at a meeting of the Federal Executive Board on February 19. Mr. Doyle explained GAO's responsibilities.

*Bernard L. Lowery*, audit manager, spoke at a conference in Denver on "Public Procurement in Today's Market Environment" on April 9. Mr. Lowery represented the National Contract Management Association. He is president of the Denver chapter of the association.

*Lowell E. Hegg*, supervisory auditor, spoke at Pomona High School, Arvada, Colo., on February 26. His topic was "Career Opportunities in Accounting."

The graduate thesis of *John A. Spence*, staff member, Denver, entitled "Implementation of Federal Water Power Recreation Act in Colorado," was published by the Environmental Resources Center, Colorado State University.

*Ronald A. Bononi*, audit manager, Los Angeles, was guest lecturer at a minority business training program on government procurement and contracting, March 11 and 12. The program was sponsored by the Los Angeles Federal Executive Board and the Office of Minority Business Enterprise. Mr. Bononi's lecture included discussion of Public Law 87-653, weighted guidelines profit determination, GAO bid protest procedures, and the Renegotiation Board. On March 20, Mr. Bononi spoke before a Government contracts class at the UCLA Extension School on GAO audits of negotiated defense contract prices.

*Darryl W. Dutton*, supervisory man-

agement auditor, Los Angeles, earned a master of business administration degree from Pepperdine University, December 15, 1974.

*Jimmy L. Bowden*, *Victor Ell*, *Donald H. Friedman*, and *Dennis G. Schilcher*, supervisory auditors, Los Angeles, were elected president, regional vice president, director of research, and meetings director, respectively, of the Los Angeles chapter of the Federal Government Accountants Association for 1974-75.

On April 15 and 16, *Jack H. Paul*, auditor, and *Frederick Gallegos*, supervisory management auditor, Los Angeles, assisted in a presentation, "Communicating with Computer Specialists," at the Federal Government Accountants Association's (Los Angeles chapter) Third Annual Educational Conference. On April 24, Mr. Gallegos also addressed a joint meeting of the Accounting Club and Data Processing Club at California State Polytechnic University, Pomona. He discussed the roles and functions of GAO and the EDP audit applications used by GAO. He also spoke before a data processing management class at California State Polytechnic University, Pomona, November 14, 1974. The subject of his presentation was "The Management Audit of Data Processing Facilities."

*Larry Peacock*, supervisory auditor, Norfolk, addressed the Joint Financial Management Improvement Program's workshop on improving productivity in real property maintenance. His presentation focused on the benefits and uses of work measurement systems, illustrated with the results of such use



by local Governments and private industry in their real property maintenance operations.

*Merle K. Courtney*, supervisory auditor, and *Judy Berlin*, management auditor, Norfolk, spoke at the Mississippi University for Women, March 18, on "Challenges for Women in GAO."

*Philip A. Bernstein*, regional manager, Seattle, was the keynote speaker at a seminar for the Oregon Secretary of State held in Salem, Oreg., March 13 and 14. The seminar dealt with "Auditing Under the GAO Audit Standards" and was attended by *Clay Myers*, Oregon's Secretary of State; the audit staff of the State of Oregon; and several county and city audit groups. *Dennis E. Gutknecht*, Seattle supervisory auditor, spoke on "The

Segments of an Audit Finding"; and *Robert H. Sawyer* and *Douglas E. Cameron*, Seattle supervisory auditors, presented audit case studies.

Mr. Gutknecht was also appointed a member of the Multnomah County Auditor's Citizens Task Force to assist in setting up operation guidelines for the county auditor's office.

Mr. Bernstein also addressed the Portland chapter of the Federal Government Accountants Association on March 20. He discussed the activities and objectives of the Pacific Northwest Intergovernmental Audit Forum.

*Roger D. Hayman*, Seattle supervisory auditor, spoke on the "GAO Audit Standards" at a meeting of the Boise Valley Chapter of the Institute of Internal Auditors on February 12.

### Question on Education

Has the explosion of courses in quantitative analysis and computer applications replaced necessary attention to constitutionalism, political theory and philosophy? I am afraid it has, and we must correct that imbalance.

*Dean Alan K. Campbell*  
Maxwell School, Syracuse University,  
Lecture at GAO, December 12, 1974

## Successful Candidates— November 1974 CPA Examination

### REGIONAL OFFICES

<i>Name</i>	<i>Regional Office</i>	<i>State</i>
James S. Abernethy	Seattle	Washington
Martin J. Cain	Chicago	Illinois
Richard H. Donaldson	Boston	Massachusetts
Richard Griswold	Los Angeles	California
Donald J. Kittler	Chicago	Illinois
William E. Lambert	San Francisco	California
John Lively	Atlanta	Georgia
Garry W. Martin	Los Angeles	California
John T. McIlwaine	Boston	Massachusetts
A. George Tilley	Seattle	Washington
Arley R. Whitsell	Dallas	Texas
Robert C. Wuori	Chicago	Illinois

### HEADQUARTERS

<i>Name</i>	<i>Division</i>	<i>State</i>
Ronald J. Cormier	RED	Virginia
Harold W. Fulk	PSAD	Virginia
John R. Gillespie	FGMS	Virginia
Joseph E. Gloystein	ID	D.C.
Marla D. Kopp	OPM	Maryland
Raymond C. Kudobeck	FGMS	D.C.
William H. Price	PSAD	North Carolina



The following new professional staff members reported for work during the period February 16 through May 15, 1975.

**Financial and General  
Management Studies  
Division**

Cohen, Leslie M.	Department of the Navy
Daley, Norman P.	University of Connecticut
Finberg, Harvey J.	Analytic Services Inc.
Franck, Margaret J.	D.C. Government
Ginsburg, David I.	American University
Hedling, William G.	Applied Sciences Association, Inc.
Jacobs, Jeffrey L.	Department of Health, Education, and Welfare
Mabry, Bennie W.	Computer Science Corporation
Michaelangelo, Alfred O.	Department of the Army
Miller, Nelson L.	U.S. Air Force
Ordonez, Marcelito R.	Columbia University
Rooney, Annette E.	Veterans Administration
Saks, Theodore H.	Department of Commerce
Sykes, Waverly E., Jr.	Research, Inc.
Taylor, Roy H.	Department of the Army
Weintrob, Harry	General Research, Inc.

**Office of the General  
Counsel**

Connolly, John P.	Law Office of John J. Thornton
Evers, Robert A.	Vom Baur, Coburn, Simmons & Turtle
Hoff, Reka P.	Advisory Commission on Intergovernmental Relations
Japikse, Bert	Court of Appeals
Mirisch, Donald I.	Rogers & Harris
Wagner, Thomas R.	U.S. Army

**Logistics and  
Communications  
Division**

Heard, Frank S.	General Services Administration
Holt, Phillip C., Jr.	Rollins College
Schulze, John R.	University of Maryland

**Manpower and Welfare  
Division**

Joy, Chester M.	Harvard College
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NEW STAFF MEMBERS

<b>Office of Program Analysis</b>	<p>Brown, Kenneth M.            Clevenger, William M.            Condon, Gayle L.            Mullen, William A.            Neville, Joseph T.            Packard, Maryann A.            Ream, Malcolm L.            Simmons, Craig A.            Swaim, Stephen C.            Taylor, Jack H.</p>	<p>Housing and Urban Development            Trans-World Trade, Ltd.            Department of Justice            Self-employed (consultant)            Department of Labor            Federal Energy Administration            George Washington University            Securities and Exchange Commission            U.S. House of Representatives            Department of the Treasury</p>
<b>General Government Division</b>	<p>Hadley, Robert R.            Price, Robert E.</p>	<p>Interstate Commerce Commission            U.S. Army</p>
<b>Procurement and Systems Acquisition Division</b>	<p>Brannin, Patricia A.            Kallis, Elias M.            Shanley, Peter A.</p>	<p>Department of the Air Force            U.S. Air Force            Polaroid Corporation</p>
<b>International Division—Washington</b>	<p>Becker, Theodore J.            French, Timothy J.            Maloney, Joan M.</p>	<p>Department of Agriculture            Department of Commerce            Department of the Army</p>
<b>Resources and Economic Development Division</b>	<p>Scavello, Anita J.</p>	<p>Veterans Administration</p>
<b>Office of Staff Development</b>	<p>Barnes, Gerald P.            Bobo, Emanuel J.            Bonfilio, Ronald J.            Bruch, Leroy W.            Carter, John L.            Caton, Mark E.            Coleman, Beverley D.            Cooper, Alvin C.            Dickens, Charles J.            Dugan, Patrick R.            Fenstermaker, Fred P.            Fisher, Gregg A.            Fujimoto, Clarence S.            Gatti, Bruce G.            Giddings, Edwin C.            Giron, David C.            Glagola, Edward M., Jr.            Goodstein, Daniel P.            Hittner, Harvey M.            Hrynkiw, Theodore P.            Hurd, LaGrant            Jacques, Joseph W.            Lorah, Francis A.            McAnney, Robert J.</p>	<p>Bowie State College            Howard University            University of Massachusetts            Lycoming College            University of Maryland            West Virginia University            University of Southern Mississippi            Tennessee Technological University            George Mason University            St. Joseph's College            University of Maryland            Duquesne University            University of Hawaii            Virginia Polytechnic Institute            East Carolina University            New Mexico State University            Moravian College            Southern Oregon College            University of Massachusetts            Duquesne University            Alabama State University            Bloomsburg State College            Bloomsburg State College            University of Connecticut</p>

McLachlan, Mark C.	Lycoming College
Mari, John J.	St. Vincent College
Matlock, Kurt S.	Bloomsburg State College
Moses, Barry L.	State University of New York at Albany
Moy, Henry K.	George Washington University
Musick, Anthony	University of Maryland
Pacocha, David E.	Boston University
Pavlak, Francis J.	University of North Colorado
Rau, Barry L.	George Washington University
Robinson, Ronnie G.	Shaw University
Rolfe, Paul C.	University of Tennessee
Rutecki, Joseph A.	Bloomsburg State College
Sanders, Michael B.	Michigan State University
Sansaricq, Marie-Denise	Georgetown University
Scazzero, Joseph A.	Rutgers College
Schwartzel, Paul C.	St. Vincent College
Shields, Janice C.	Clarion State College
Sopka, Peter P.	Bloomsburg State College
Swanson, Jean C.	Morris Brown College
Swanson, Thomas L.	Bloomsburg State College
Weeber, Daniel M.	St. Vincent College
Whitt, Clarence A.	Bluefield State College
Winston, Brenda J.	Federal City College
Wroblewski, Edward S.	Fordham University

**REGIONAL OFFICES**

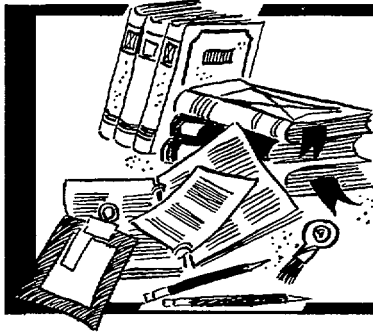
<b>Atlanta</b>	Whitman, Donald E.	Valdosta State College
<b>Boston</b>	Estella, Jose L. O'Bryan, Cheryl L.	InterAmerican University Babson College
<b>Chicago</b>	Abraham, Willard D., Jr. Tilsner, James D.	Mankato State College University of Minnesota
<b>Cincinnati</b>	McGuire, Michael F. Martin, James D. Reigle, Sanford F.	Department of the Army Xavier University Ohio University
<b>Dallas</b>	Sullivan, John P., Jr.	Louisiana State University
<b>Denver</b>	Furlong, James J. Melvin, George	University of Denver University of Denver
<b>Detroit</b>	Minnery, James W. Smith, Lawrence R.	Cleveland State University Harvard University

NEW STAFF MEMBERS

REGIONAL OFFICES

(continued)

<b>Kansas City</b>	Hall, Jerry D.	Department of Agriculture
<b>Los Angeles</b>	Ham, Warren R.	California State University
<b>New York</b>	Brooks, Gordon D.	Case University
<b>Norfolk</b>	Cottingham, Warren J. Meyer, Carol L.	East Carolina University College of William and Mary
<b>Philadelphia</b>	Bloom, Thomas N. Marshall, Susan I.	Pennsylvania State University College of William and Mary
<b>San Francisco</b>	Almahdy, Abdel R. Clements, Robert L., Jr. Darby, Linda G. Doyle, Robert T. Hunt, John J., Jr. Moore, Henry I., III Richards, Craig D.	California School of Commerce University of Alabama Florida State University San Francisco State University Golden Gate University San Jose State University Southern Illinois University
<b>Washington (Falls Church)</b>	Davis, Herbert V., Jr. Holland, John P., Jr.	University of Nevada George Washington University



## Readings of Interest

*The reviews of books, articles, and other documents in this section represent the views and opinions of the individual reviewers, and their publication should not be construed as an endorsement by GAO of either the reviewers' comments or the books, articles, and other documents reviewed.*

### **Auditing Public Education**

By Peter L. McMickle and Gene Elrod;  
The AIDE Staff, Alabama Department  
of Education, 1974; 255 pp., hard-  
back.

The United States spends more than \$50 billion each year on public education, and over 25,000 auditors are involved in reviewing the integrity of this enormous investment. This book presents the results of a comprehensive study of the audit and accountability environment of public education, focusing primarily on auditing at the State education agency level.

This study should interest all GAO auditors because it clearly and candidly describes the role auditors have played in the management of federally assisted education programs. Furthermore, GAO's audit process is discussed in detail.

The study was financed through

funds provided by the U.S. Office of Education and the State of Alabama. Its purpose was to examine auditing of, by, and involving State education agencies in order to make auditing more beneficial for management of State education agencies. Much of the information developed during the study was obtained through interviews with Federal and State auditors and State education agency managers. In those States where interviews were not conducted, a detailed questionnaire was used to solicit views.

In this book the authors:

- Present an in-depth review of the development of contemporary auditing to provide the reader with a background on how and why auditing has been changing on a national basis.
- Develop a conceptual framework that identifies important audit

concepts and discusses proper approaches to conducting contemporary auditing.

- Identify and discuss the audit agencies, including GAO, that comprise the audit network of public education.
- Present the findings of the study and compare actual conditions against the “ideal.”
- Discuss future directions in auditing public education and make specific recommendations to auditors and educational managers for making audits more positive and beneficial.

The study is addressed principally to educational managers and auditors at the local, State, and Federal levels. Of particular interest to these two groups will be the findings section, because it provides factual information they can use to compare and evaluate their own audit activities and experiences. Following are some of the authors’ findings or conclusions based on the interview and questionnaire responses.

Attitudes regarding State education agency audit objectives—Sixty percent of the responses indicated that managers of State education agencies and auditors had mutually negative attitudes toward each other. Most managers believed that auditors, in general, feel they must make a finding of some kind. Only 19 percent of the managers felt that the objective of Federal auditing was to help them.

Objective of State education agency auditing—Although the current ob-

jective of most State education agency auditing is perceived as accountability, the managers are receptive to management-oriented auditing and are optimistic about its potential usefulness.

Scope of auditing—Federal audit agencies are ahead of State audit agencies in extending the scope of their audits. CPAs and State education agency internal auditors seldom make performance audits—those going beyond the traditional—to encompass such matters as the economy, efficiency, and/or effectiveness of operational controls, management information systems, and programs. Managers perceived GAO audits as being 100 percent Federal compliance, 86 percent financial, and 29 percent performance in nature.

The authors recognize, however, that the trend in GAO is to extend the scope of its State education agency audits to encompass program effectiveness. They conclude that performance auditing can contribute a great deal to management, particularly if the audit objective is to help management rather than police it.

Internal auditing—Modern internal auditing, as it now exists in many industries and governmental agencies, is practically nonexistent in the State education agency environment. This represents a serious nationwide management weakness. The authors recognize that GAO considers internal auditing an essential management tool, complementing all other



elements of management control.

Characteristics of auditors—The study revealed no general weaknesses with regard to auditors' independence or ethics. However, the authors feel there is a need for a code of ethics especially tailored to governmental auditors. They also strongly endorse GAO's publication, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, and urge all governmental audit agencies to formally adopt these standards.

In general, State education agency managers ranked audit competency as follows: (1) Federal agencies, (2) State agencies, and (3) CPAs. Although the managers generally felt auditors were competent in the areas of accounting and management controls, many of them indicated a lack of confidence in the auditors' ability to conduct performance audits of State education agencies. They contended that a knowledge of and background in education was necessary for such auditing. They felt, however, that this weakness could be overcome by including an educator on the audit team and/or developing audit teams that specialize in educational audits.

Audit processes—An examination of the processes and procedures of the auditors of State and local education agencies identified a number of issues and areas needing improvement:

1. Managers feel that audits of Federal programs need to be more frequent and timely.

2. Audit reports and findings generally are not distributed to other State and local education agencies.
3. Auditors usually do not ask if they can be of any service to management as a by-product of their examination.

Overall I believe the authors have done a good job of assessing the current status and future potential of audits of State and local education agencies. Their conclusions and recommendations follow logically from the facts assembled by the study. Although the study involved public education auditing, much of the discussion in the book is pertinent to auditing in any field. I believe all auditors will find the book worthwhile reading because it can, as the authors state, (1) help them place their audit activities in perspective, (2) provide suggestions and ideas concerning the proper conduct of contemporary audits, and (3) help them maximize their audit productivity.

*James E. Kelly*  
Assistant Director  
Manpower and Welfare Division

### **Command, Control, Compromise**

By James H. Carrington; Naval Institute Press, 1973; 263 pp., \$12.50.

Although this book was directed towards military managers, the author, a retired Navy Commander, expresses many thought-provoking ideas which should be refreshing to those in GAO who are interested in adopting a be-

havioral approach to management. The title of the book provides an insight into the author's belief that these three ingredients are essential to successful management. Dr. Carrington sets the stage for the book by defining each of these terms: (1) command causes other peoples' actions to attain a result, (2) control provides the manager with the ability to cause other peoples' actions to attain the right result, and (3) compromise has to do with a basic understanding of what is necessary to get things done.

The first two chapters stress the idea that management relates to "people" decisions, that managers need to establish their own sets of values that they can live by, and that there is a need for organizations to recognize the pluralistic society effect on people—outside pressures beyond the work environment affect our jobs positively as well as negatively.

In the next three chapters, the author defines management and managing and the oft-repeated military terms "authority," "responsibility," and "accountability"; provides the reader with a brief history of management theory; and discusses the manager's role in evaluating the performance of subordinates. In the latter regard, the author cautions employers not to wait until the end of a reporting period and suggests establishing standards mutually agreed upon by employer and employee at the beginning of the evaluation period.

In chapter 6, the author contends that, if an organization is to succeed, it must establish objectives at the outset and constantly reappraise them.

Chapter 7 discusses planning, and the author reminds us that some people get carried away with planning and lose sight of the goal for which the plan was devised.

The last six chapters, in my opinion, contain ideas which all GAO managers can draw upon for assistance in their day-to-day work. Chapter 8 discusses decisionmaking and suggests that no real manager can be effective unless he practices management by exception. The need for the decisionmaker to have alternatives is also discussed. Chapter 9 is concerned with the way in which a manager keeps his organization on the right track through delegation, coordination, and appraisal.

Motivating, communicating, and initiating are important enough to be treated in separate chapters, as well they should be. Managers are told in chapter 10 that they must know their people and treat them as individuals, fully recognizing that each person has his own wants and needs. The author suggests that managers involve their people in planning and decisionmaking and tell them when they do a good job—criticism should not be the only time the manager talks to his subordinates.

Chapter 11 suggests communicating with those above and below and shows some ways to become a better speaker. The author suggests using the tools of communication—gestures, tone of voice, emphasis, pictures, charts, etc. Chapter 11 also suggests ways in which to be a better *listener*.

The author mentions in chapter 12 that all individuals feel more comfort-

able under conditions of virtual certainty and predictability. People resist change. The author suggests that the successful manager must initiate action or, as put in his own words, "He must be more the Telocrat (the mover and the shaker) than the Bureaucrat (the sitter and the waiter)."

The last chapter sums up what the book is all about: the effective man-

ager decides and acts in a manner evidencing his COMMAND of his profession, his CONTROL over performance, and his understanding of the need to COMPROMISE to get the right results.

*Stephen L. Keleti*

Assistant Director

General Government Division

### Discipline of Good Writing

All good writing takes thought, time, humility and self-confidence. The language has its own principles of clarity and brevity: concrete words to counterbalance the necessary but difficult abstractions of the policy-maker; short, definite statements to offset the involved, meticulously modified, circuitous sentences of the hardpressed official; low-hurdle paragraphs to break down the insurmountable wall of words which long paragraphs erect. Yet achieving a clear, concise style is a rocky road. Revision and critical review such as is generally exercised on the job by the "boss" may at times reach a point of diminishing return. As the master communicator, Churchill, once remarked: "There's another way to spell perfection, and that is paralysis."

*Professor Mary C. Bromage*

University of Michigan

*Dividend, Fall 1974*

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Cash awards are available each year for the best articles written by GAO staff members and published originally in *The GAO Review*. Each award is known as the Award for the Best Article Published in The GAO Review and is presented during the GAO awards program held annually in June in Washington.

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The awards are based on recommendations of a panel of judges designated by the Comptroller General. The judges will evaluate articles from the standpoint of the excellence of their overall contribution to the knowledge and professional development of the GAO staff, with particular concern for:

Originality of concepts.

Quality and effectiveness of written expression.

Evidence of individual research performed.

Relevancy to GAO operations and performance.

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4. Articles submitted for publication should be typed (double-spaced) and range in length between 5 and 14 pages. The subject matter of articles appropriate for publication is not restricted but should be determined on the basis of presumed interest to GAO professional staff members. Articles may be submitted on subjects that are highly technical in nature or on subjects of a more general nature.

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