United States General Accounting Office

GAO

History Program

January 1992

Transportation Activities 1946-1975

Interview With Joseph P. Normile, Fred J. Shafer, and Thomas E. Sullivan

ORAL HISTORY SERIES

GAO/OP-24-OH

Published by the United States General Accounting Office,
Washington, D.C., 1992

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146084

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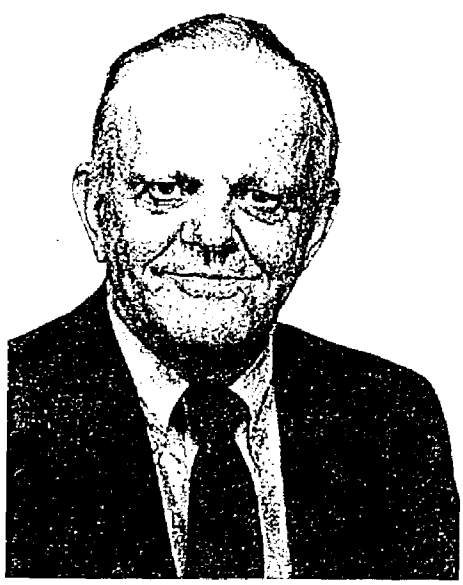
Biographical Information

Joseph P. Normile

Joseph P. Normile joined GAO in 1953 after 2 years in public accounting. Following various audit assignments in the Division of Audits and the Defense Accounting and Auditing Division, he entered the Transportation Division in 1962 as an Assistant Director. In 1964, he advanced to Associate Director and, in 1967, to Deputy Director of the Division. From 1968 to 1973, Mr. Normile was the Director of GAO's European Branch. Upon his return to Washington, D.C., he worked in GAO's Office of Personnel Management and the Community and Economic Development Division. In 1975, he was designated Associate Director, Logistics and Communications Division, where he remained until his retirement from GAO in September 1979.



Fred J. Shafer

Fred J. Shafer joined GAO in 1946, having first entered government service in 1941 followed by 3 years of military service during World War II. He held positions of increasing responsibility in transportation work. Mr. Shafer advanced to the post of Assistant Director of the Transportation Division in 1965, to Associate Director in 1967, and to Deputy Director in 1968. As part of GAO's reorganization in 1972, he became Deputy Director of the newly created Logistics and Communications Division, and the following year he became its Director. In June 1978, he retired after 37 years of government service.

Preface

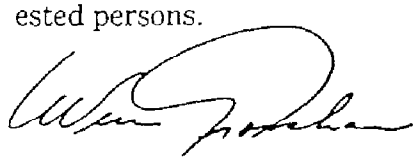
The GAO History Program uses oral history interviews to supplement documentary and other original sources of information on GAO's past. These interviews help provide additional facts and varying perspectives on important past events. Transcripts of the interviews, as well as the audiotapes and videotapes, become important historical documents and are used in preparing written histories of GAO, in staff training, and for other purposes.

Although the transcripts are edited versions of the original recording, GAO tries to preserve the flavor of the spoken word. The transcripts reflect the recollections, the impressions, and the opinions of the persons being interviewed. Like all historical sources, they need to be analyzed in terms of their origins and corroborated by other sources of information. The transcripts in themselves should not necessarily be considered definitive in their treatment of the subjects covered.

GAO's audits of transportation activities began in 1922 and continued until most of them were transferred in 1975 to the General Services Administration. Massive volumes of freight and passenger transportation payments made by government departments and agencies were audited, and hundreds of millions of dollars of overcharges were collected from carriers. In later years, the Transportation Division expanded its activities. It began to make traffic management studies and reported to the Congress on problems involving the movement of household goods, consolidation of small shipments, and selection of air carriers. Responsibility for these types of studies has remained in GAO to this day.

Joseph P. Normile, Fred J. Shafer, and Thomas E. Sullivan held various positions in the transportation area between 1946 and 1975, leading to top management roles. The interview conducted on August 14, 1991, covered the early history of the transportation function, the evolution of audit activities, and efforts to address problems identified in the working environment.

Copies of the transcript are available to GAO officials and other interested persons.



Werner Grosshans
Assistant Comptroller General
for Policy

Interviewers

Werner Grosshans

Werner Grosshans is the Assistant Comptroller General for Policy. He began his diversified career as a government auditor in 1958 in GAO's San Francisco Regional Office and held positions of increased responsibility, including Assistant Regional Manager in 1967. In July 1970, he transferred to the U.S. Postal Service as Assistant Regional Chief Inspector for Audits. In this position, he was responsible for the audits in the 13 western states. In October 1972, he returned to GAO to the Logistics and Communications Division. In 1980, he was appointed Deputy Director of the Procurement, Logistics, and Readiness Division and, in 1983, he moved to the newly created National Security and International Affairs Division as Director of Planning. In 1985, he became Director of the Office of Program Planning and in 1986 he assumed responsibility for GAO's Office of Policy.

Henry Eschwege

Henry Eschwege retired in March 1986 after almost 30 years of service in GAO under three Comptrollers General. He held increasing responsibilities in the former Civil Division and became the Director of GAO's Resources and Economic Development Division upon its creation in 1972. He remained the Director after the Division was renamed the Community and Economic Development Division. In 1982, he was appointed Assistant Comptroller General for Planning and Reporting.

Roger R. Trask

Roger R. Trask became Chief Historian of GAO in July 1987. After receiving his Ph.D. in history from The Pennsylvania State University, he taught from 1959 until 1980 at several colleges and universities, including Macalester College and the University of South Florida; at both of these institutions, he served as Chairman of the Department of History. He has written and edited numerous books and articles, mainly in the foreign policy and defense areas. He began his career in the federal government as Chief Historian of the U.S. Nuclear Regulatory Commission (1977-1978). In September 1980, he became the Deputy Historian in the Historical Office, Office of the Secretary of Defense, where he remained until his appointment in GAO.

Thomas E. Sullivan

Thomas E. Sullivan joined GAO in 1951 after working with a public accounting firm in Pittsburgh, Pennsylvania. For his first 3 years at GAO he served in various audit positions involving civil and defense expenditures. From 1954-1956, he was assigned to GAO's European Branch, the last 6 months as Assistant Director. At that time, he was also the United States Delegate to the International Board of Auditors for Infrastructure of the North Atlantic Treaty Organization. Upon his return to Washington, D.C., he was an Assistant Director of GAO's Defense Accounting and Auditing Division.

In August 1960, Mr. Sullivan was designated Associate Director of GAO's Transportation Division and became its Director in 1962. In 1972, he assumed the post of Director of the combined Transportation and Claims Division where he served until most of the transportation audit functions shifted to the General Services Administration in October 1975. He was then designated Assistant Comptroller General of the United States and remained in that position until his retirement in April 1976.

Contents

Abbreviations

AEC	Atomic Energy Commission
CPA	certified public accountant
DAAD	Defense Accounting and Auditing Division
DOD	Department of Defense
EEO	equal employment opportunity
FBI	Federal Bureau of Investigation
GAO	General Accounting Office
GSA	General Services Administration
ICC	Interstate Commerce Commission
LOGCOM	Logistics and Communications Division
NATO	North Atlantic Treaty Organization
OGC	Office of the General Counsel
TR	Transportation Request
TRATMAR	Transportation and Traffic Management Review

and Printing Fund. It took us a year to complete the audit. Later, I transferred to the Treasury Department to assist Burke Piper, and after he left for Grace Line I took over as auditor-in-charge of all Treasury audits.

After that, the next thing I recall is going to Europe. Charlie Bailey was Director of the European Branch at that time. I started with him. I served as his Deputy to the Infrastructure Audit Group of NATO [North Atlantic Treaty Organization]. Later on, when Charlie went back home, I took over as the Delegate. Then I assisted Smith Blair, who succeeded Charlie in managing the European Branch.

I returned to the U.S. and was assigned to the cleanup of the Office of Investigations, which had been terminated in 1956. I worked with Bob Chaney in winding up a lot of congressional requests. We were holding fire on the military side. Then there was a similar group on the civil side. I think Troy McCurdy was running that.

I worked with Bob for about a year and then shifted to the Defense Accounting and Auditing Division [DAAD] at the Pentagon to replace Charlie Bailey. I worked in the Pentagon for Irving Zuckerman in the Army Group from 1958 to 1960.

In 1960, Oye Stovall, Director of the Transportation Division, needed help. That was when I got assigned to that Division. I had some kind of a working agreement with Bill Newman that, if I did not like it down there, I could return to DAAD. I was under the impression that I was moving from a professional organization to a nonprofessional organization, even though Oye, a professional, was there. I knew him, so I had no problems once I got there. Fred Shafer was there, too. In fact, Fred was doing a special job at the time helping Oye. He was working in the front office. That is about it.

Mr. Eschwege — I think by 1962 you were already the head of the Transportation Division, weren't you?

Mr. Sullivan — Yes. I took over from Oye in 1962. He had succeeded Johnny Abbadessa as Deputy Director of the Civil Division when Johnny went to the Atomic Energy Commission [AEC].

Mr. Eschwege — You then stayed with the transportation activity until it was transferred to GSA in 1975.

Interview With Joseph P. Normile, Fred J. Shafer, and Thomas E. Sullivan August 14, 1991

Introduction

Mr. Eschwege

Good morning on this Wednesday, August 14, 1991. We welcome back to the General Accounting Office [GAO] Tom Sullivan, Fred Shafer, and Joe Normile, who had most distinguished careers while in GAO.

I want to introduce for the record on my immediate left Werner Grosshans, the Assistant Comptroller General for Policy, and to his left, Dr. Roger Trask, Chief Historian of GAO. I am Henry Eschwege.

We are focusing today on that part of your GAO careers devoted to GAO's Transportation Division, which at times was also called the Transportation and Claims Division. In total, you gentlemen devoted 47 years to this activity for a period of 29 years from 1946 to 1975. The transportation activity in GAO began in 1922 and continued for more than 50 years until 1975 when most of it was transferred to the General Services Administration [GSA].

As you know, we will put your biographies into the transcript, but I would like each of you to briefly tell us how you came to GAO and to explain your role in the transportation area.

So, Tom, would you give us a little information on that?

Biographical Information

Mr. Sullivan

I was recruited by Charlie Murphy, who recruited most of us in those days. I came to GAO in June of 1951. Coming from public accounting, I got my first inkling of what I was getting into when I got to GAO the first day and went up to the seventh floor. I found that nothing was on the seventh floor except a desk and several chairs. Ted Westfall had just been appointed Director of Audits and among his responsibilities were the activities of the Corporation Audits Division. I was recruited for that Division, but, by the time I got here, it had been merged into the Division of Audits.

So my first audit assignment was in the Bureau of Engraving and Printing. I think at that time we were auditing the Bureau of Engraving

Deputy Director's desk. He did not want me to get the feeling that I was the Deputy Director nor did he want anyone else in the Division to get the idea that I was the Deputy Director. I had no such illusions. I was a grade 12.

So, for about a year or so, until Tom came to the Division, I worked at the conference table as Oye's Assistant.

Mr. Eschwege — Then, of course, as you mentioned, you left to go to LOGCOM.

Mr. Shafer — Right, in 1972.

Mr. Eschwege — You took some Transportation Division work with you?

Mr. Shafer — At the start of the reorganization, we transferred the professional staff work of the Division over to LOGCOM. It was under the jurisdiction of Bud Connor.

Mr. Eschwege — You then retired in June of 1978.

Mr. Shafer — That is correct.

Mr. Eschwege — Joe?

Mr. Normile — I came to GAO after a couple of years in public accounting. I was brought to GAO by a fellow that knew Bill Newman from the time he was on duty in the Air Force reserve. Bill would go out to the Wright-Patterson Air Force Base. The fellow who lived next to us in the apartment building had worked there and knew him. He told me that he would bring me to GAO to meet Bill Newman to see if they had any openings.

I could tell Bill had a hell of a time remembering this fellow, but he was very nice about it. Bill called Charlie Murphy over who hired me that day.

I was in the Division of Audits and then later in the Defense Division's Air Force Group where I worked for Oye Stovall. Oye left GAO for a year to work in private industry and, a few years after he came back, he became head of the Transportation Division. He asked me to come down as sort of a consultant to the Traffic Management Group that Fred headed.

Mr. Sullivan

That is correct. Then I became an Assistant Comptroller General for winding up other affairs that I had. I retired in April of 1976. That was my career in short.

Mr. Eschwege

Thank you. Fred?

Mr. Shafer

I entered the government in 1941 as a messenger boy. An interesting side note about the times is that I had started employment as an instructor in accounting and management subjects in the international correspondence schools. I was making more money as a messenger boy in Washington, D.C., than I was making as an instructor in Scranton, Pennsylvania.

First, I was a messenger boy with the Office of Production Management, which was a wartime agency, and I then transferred to the FBI [Federal Bureau of Investigation] as a clerk, grade 2, which was a tremendous increase in salary. A year later, I went into the service for 3 years. The FBI was a sort of semimilitary institution in terms of its discipline, and I had had enough of that after 3 years in the Army. There were openings in the Transportation Division of GAO that required testing. I took the test and fortunately passed.

So I started as a grade 4 or 5 freight apprentice. I then served in a variety of progressively more difficult technical and staff positions until I was assigned to professional staff work. Eventually, I became responsible for development of our professional staff activities. Joe Normile had come down to the Division to help us develop the professional staff and later became Tom's Deputy Director. When Joe left to go to Europe as Director of the European Branch, I became the Deputy Director.

As a result of the GAO reorganization in 1972, I was transferred to the newly created Logistics and Communications Division [LOGCOM] and became Ken Fasick's Deputy Director. I became Director of the Division in 1973. Tom mentioned that, when he came into the Transportation Division, I was doing a special job for Oye Stovall. That special job interestingly was really Deputy Director of the Division without portfolio. What happened was that John Abbadessa had taken over as Director and had brought a brilliant young man named Bob Floyd with him as his Deputy Director. When Abbadessa left and Stovall came in, Bob Floyd stayed as Stovall's Deputy Director to provide continuity in the management. Shortly thereafter and very tragically, Bob Floyd died suddenly and left a vacuum there. Stovall needed someone to handle the technical aspects of the Division, so I was tapped. Oye would not let me sit at the

Comptroller General McCarl was a very strong advocate of carrying out preaudits.

Mr. Sullivan — That is correct.

Mr. Grosshans — What did the workload consist of primarily in those days? Was it primarily preaudit?

Mr. Sullivan — Yes, it was primarily preaudit. Of course, the carriers had to wait until the preaudit was accomplished before they got paid. I guess this requirement held together pretty much until the war. Before and during the war, with the influx of transportation requirements in the government, it became apparent that the railroads could not function unless they got paid; they could not wait for GAO to do a preaudit before they got paid.

The Transportation Act of 1940 provided that carriers could be paid on presentation of their bills after an arithmetic check at the paying offices. Then the records would roll into GAO for a postaudit.

Some preauditing was still going on in the government. I think the Navy had a preaudit organization for a while. That generally is what the scheme was. I think what ended the preaudit was the influx of the traffic and the need for money to keep carriers going. The Transportation Act of 1940 became a stumbling block in 1975 when we wanted to move the function to GSA. The language was specific in requiring a postaudit by GAO and not GSA. So we had to get that law changed before we could transfer transportation to GSA.

I am skipping ahead to the end of the story, but essentially that is it.

Mr. Grosshans — We talked about the preaudit activity. Was an audit also made of these transactions? If so, was it done by the same group, or did you have a separate group in the Transportation Division that performed that function?

Mr. Sullivan — I am not too sure how the preaudit functioned, but I imagine it was done in the same fashion as the postaudit. Examiners examined the bills, and then the bills were turned over to a review group. From then on, they took action against the carriers. Under the Transportation Act of 1940, if an overcharge occurred, we could reach into the pockets of the carriers through the paying offices and recoup our money if we thought the

A little later, Tom wanted to organize a group to make the audit more efficient, make better use of the manpower, and get it organized a little bit better. He had put together a group of technicians, fine bright guys, that really had a lot of ability for that kind of work. He asked me to head it, which I did.

Then later, when his Deputy Director retired, he asked me to take on the Deputy Director position, which I was pleased to do. I held that position until I went to Europe.

So I had 6 years of very interesting work in the Transportation Division. I enjoyed it a lot.

Mr. Eschwege — You said that you wound up in LOGCOM somehow.

Mr. Normile — After coming back from Europe, I worked in the Personnel Office as Deputy Director and then I worked for you in the Community and Economic Development Division for a year in civil work and then I worked a couple of years in LOGCOM before I retired.

Mr. Eschwege — That was in 1979.

Mr. Normile — Right.

The Early Years

Mr. Grosshans — We would like to start with some of the early years in the Transportation Group, recognizing that most of you were not there during that period, but you must have done some research on it, having spent the years that you just spoke about in the Group.

Based on our research, the function came from the Treasury Department in 1922, about a year after GAO was created. Do any of you know what caused the delay in bringing that group to GAO?

Mr. Sullivan — It might have been the technical nature of the transportation rate audit that delayed it. I do not recall anything about the delay. It came over as part of the Claims Division. It was a subdivision of the Claims Division and carried out a preaudit; later on, it became a postaudit.

Mr. Grosshans — That was one of the issues we wanted to talk a little bit about.

Mr. Grosshans — The transportation group, for some of this period, was part of the Claims Division.

Mr. Sullivan — That is correct.

Mr. Grosshans — Apparently it was a separate Division between 1922 and 1926, then became part of Claims between 1926 and 1948, and then stood alone until 1972 when whatever remained again merged with Claims.

What were the reasons for the two Divisions' being either combined or separated?

Mr. Sullivan — The 1948 switch came soon after World War II. Lindsay Warren was Comptroller at the time. He had a work force of about 14,000 people or something like that. He was in the process of whittling it down rather drastically. So a lot of layoffs occurred. People were dismissed, but the work was still to be performed as far as the Transportation Group was concerned. GAO people complained to the Congress and others as well. They had hearings by the Bender Committee. Bender was a Congressman from Ohio.

The upshot of the hearings was that GAO had the chore of reauditing World War II transportation vouchers. The bulk of that effort was not completed until about 1961.

Mr. Grosshans — I think Roger is going to get into that a little more. Maybe you just want to pick it up then.

Mr. Sullivan — Anyway, that was the impetus for the 1948 reorganization. At that time, Lindsay Warren appointed Harrell Hoagland as the Director of the new Transportation Division. Harrell served in that position until Abbadessa took over in 1959. Then Oye took over from Abbadessa, and I took over from him.

Dr. Trask — I wanted to ask one question about the preaudit work that was done before World War II. Some of the records that I read seemed to be saying that GAO actually ordered the payments to the transportation companies. The agency that was involved actually had to provide the money so there was objection from agencies that GAO was in effect spending their money. Do you remember this?

Mr. Sullivan — I do not recall that.

government has been overcharged. And that put the burden on the carrier to come back and reclaim, possibly through the courts, the amount it believed was due.

Mr. Grosshans

There was an N. B. Haley report in 1937. I do not know whether any of you recall it. Basically, it recommended that all the executive branch's transportation audit functions be placed in GAO and that people who were still auditing transportation bills in the executive branch be transferred to GAO. There was considerable opposition to that by the executive departments and agencies, so it was never fully carried out. Do you know about this controversy?

Mr. Shafer

Yes. The biggest influence, actually, in centralizing the audit, was the pressure of the railroads operating through the Association of American Railroads. Under the pre-1940 system, they had to deal with virtually every agency of the government whenever a technical rate issue was involved. Transportation rate work is a highly technical job, and any situation can be subject to interpretation. So the railroads were going crazy trying to resolve different interpretations of the same things in various agencies.

Increasing Workload Calls for Revised Procedures

Then, starting around 1939, as I understand it, the volume of government traffic, both passenger and freight, started to increase, and the preaudit simply started to delay payment. The railroads were the predominant carriers at that time. So it was railroad pressure, really, that motivated the Congress to pass the Transportation Act of 1940 to centralize the audit in GAO.

It was my understanding then that GAO did not want that function.

Mr. Grosshans

Were there any major limitations placed on GAO in this preaudit or postaudit of the transportation vouchers that would have impacted us?

Mr. Shafer

The only thing that affected us was the legal statute of limitations regarding audit and settlement. Tom got heavily involved in managing the audit work against the statute of limitations, which at the time was 10 years.

Mr. Sullivan

Later on—yes, but, in the war years, the statute was out the window because everyone was so far behind in their work that it did not apply. Later on, I believe, they established a 3-year statute of limitations on most transportation vouchers.

But they instituted the training programs, and many of these old-timers felt that you could not formally train rate technicians, that you had to apprentice to a rate technician for 10 years before you were trained. This, of course, would have been totally unacceptable given the workload at the time.

But, in the railroads, apprentices literally would sit next to these technicians, and the technicians would zealously guard their knowledge of the work so that the apprentice could not advance too rapidly. Of course, everybody knew this.

So they started a training program. At that time, most of the recruits available for the training program were women. I believe GAO was probably the first organization in the United States to actually have female rate technicians. When I came to the Office in 1945 after service in World War II, the predominant work force was female. Many of the supervisory staff on the technical side were female. I worked for many females during my career, and that situation continued until the time the Transportation Group was transferred.

But even with that program, the workload of wartime transportation was so heavy that the backlog of work continued to mount. We continued to have a legal statute of limitations, which was 10 years. The 3-year statute was waived. At times, we were dangerously close to approaching the 10-year limit. Later on, when the reaudit took place, we were running against that statute.

The situation was compounded after the hearings concerning the disposition of the World War II vouchers. We had to reaudit the entire World War II shipments at the same time that we had to audit the then current transportation cost to the government; this required further staff expansion. A new training program was instituted in 1949 for a short time in which we trained additional technicians.

Then motor carrier work started to become a larger percentage of the total workload. Trained technicians were more readily available in the motor carrier industry than they had been in the rail industry so we were able to recruit from the outside. We terminated our training program because there were ample trained people in the private sector. That probably started sometime in the 1960s.

Dr. Trask — The hearings in 1948 that you mentioned indicated that there was some dispute between executive branch agencies and GAO because GAO was in effect ordering the payment after the preaudit.

Mr. Shafer — That is pretty hard to imagine. GAO never would have had the authority to so order. The authority to preaudit did not give GAO the authority to certify vouchers or anything like that.

Dr. Trask — That was their objection. That is why I asked the question, because the record really was not clear.

Mr. Eschwege — I think, Roger, you are right. These issues were raised, and I think it was probably one of the first times they raised this issue of GAO's carrying out executive branch functions. There was a dispute, as I understand it, between GAO and the Attorney General on this subject, too. They never quite saw eye-to-eye on what GAO was doing.

Dr. Trask — As for the World War II period, there obviously was a tremendous expansion in transportation activity. Then under the Transportation Act of 1940, which you have mentioned, GAO had all of this additional audit work. How did GAO cope with all these activities during World War II?

Mr. Shafer — With great difficulty.

Mr. Sullivan — With difficulty, but a process was devised later on whereby the vouchers would be doled out for audit by the staff, the examiners, and then they would go to the reviewers. After a week, they had to turn them back in and obtain new stacks. Uncompleted work was refiled into the stacks and was never audited. So when the Congress mandated the reaudit, we went back into those files and reaudited and recouped the money from the railroads. There was no statute of limitations to prevent us from going back.

Dr. Trask — How did GAO cope with the shortage of personnel during World War II?

Mr. Shafer — The fact is that there was no trained pool of technical staff people to hire in the private sector. It was necessary then for the old-timers to institute a training program, as well as to hire what staff they could from the private sector. They did hire some people who were excellent rate technicians in both the freight and passenger area, primarily from the railroads, but also some from the motor carriers. Of course, air transportation was not even part of the picture at the time.

like $38 million a year, and then by 1944 it was $2 billion. That gives you some idea of the expansion.

But, at any rate, in 1947, this problem developed concerning the auditing of World War II transportation, and it led to the hearings that Mr. Sullivan mentioned, which took place in 1948.

Specifically, what was the problem there? What happened and what led up to these hearings?

Mr. Sullivan

I will take a stab at it. We had some pretty smart guys working in the Transportation Group at that time, and they recognized that what the Office was doing was just shoveling that stuff back into the stacks. Many millions of dollars of unaudited vouchers were just lying there. In the meantime, staff were being laid off and they were not going to stand for that. So they ran up to the Hill and screamed bloody murder in chapter and verse and got the attention of the people there. Then they had a formal hearing and all of this came out. I do not know if that is the answer to your question.

Dr. Trask

Yes, basically. In other words, vouchers were being stamped as audited and they were not really audited.

Mr. Sullivan

I do not know that they had a stamp on them.

Mr. Shafer

They had a stamp on them. I think formally the committee did not conclude that those vouchers were placed in the stacks unaudited because that would have been embarrassing for everyone. As a practical matter, however, and for historical accuracy, huge numbers of those vouchers were indeed stamped in such a fashion.

Richard T. Mozinski was the whistleblower. He stood alone pretty much. He got a little bit of support after he did that, but he suffered the fate of most whistleblowers and his career at GAO from then on did not amount to much. He subsequently left the Office.

But, having said that, one would have to ask why they were stamping these vouchers and sending them back to the files. Many of us have theorized over the years as to why they were doing this. I believe that in the post-World War II period, in 1945, 1946, and 1947, a concept arose that was expressed in the Government Corporation Control Act of 1945 and the Accounting and Auditing Act of 1950. I believe the seventh floor fully recognized at that time that the objective was to eliminate so-called

Mr. Eschwege

I would like to ask you one question about this training program. You said in the industry it was really on-the-job training, but it took 10 years or more. How did it differ in GAO? Did you have classroom training?

Mr. Shafer

Yes. I went through the classroom training myself in 1946, and then, when the training classes resumed in 1950, I became an instructor. We structured comprehensive training courses so that they ran a total of 8 weeks, 5 days a week. By the time recruits finished training, they were literally capable of going out and performing—under close supervision—audits of the simplest type of payments. Then, of course, they progressed to making more difficult audits.

I should point out that audits always had complex parts; in those days, it was the U.S. land grant laws that heavily impacted the cost and freight classification. To determine the rates under the land grant laws was an extremely fascinating, interesting, and complicated technology. The principles and methodology varied depending upon which part of the country you were coming from or going to or shipping from or shipping to. So you had to have a certain type of knowledge if you were working in the New England area and another type of knowledge if you were working in the California area.

We developed a pro forma method of doing these very complicated calculations so that staff who really did not understand what they were doing would do them for a short period of time until they fully understood the process. It worked quite well as long as they were reviewed by a more experienced person.

Again, we were probably the first organization in the world to institute formal training in this area.

Congressional Mandate to Reaudit Payments

Dr. Trask

Maybe we can talk a little bit more about the problem right after World War II that led to the reaudit. That problem arose from the great volume of work—vouchers and so on—that piled up in the World War II period. Some statistics that I have seen suggested that before World War II, in the late 1930s, the value of government transportation was something

Every one of us thought we were permanent employees. I was particularly fortunate because having had government service before I went into the service, I was aware of these distinctions. The only reason I was retained and not dropped in 1948 was that I was a disabled veteran and had permanent status.

But, out of the blue and all of a sudden, all of these veterans received their notices. They had all thought they had permanent status. Their veterans' preference meant nothing under those conditions. So they were absolutely infuriated. GAO lost some of the finest people during that period. Many of them went on to greater things.

One example was Al Shuman. He was an absolutely brilliant guy who developed a method of audit that was unique. It should have been studied. I wish I coul l have figured out what it was and applied it later on when I became a manager. But he was able to do four or five times as much audit work in a single day, more accurately than virtually anyone, and this was only after about a year and a half on the job. Al Shuman left in 1948 and went to the University of Chicago and got a master's degree in business administration. That was a typical story.

They were some of the finest people we ever had. But it was really a sorry story. Some of them were rehired but not many. The rehiring took place after the hearings.

Dr. Trask

One of GAO's reactions to this—and this has already been noted—was the creation of a separate Transportation Division in 1948, and then the reaudit took place. How much was recovered as a result?

Mr. Sullivan

The figures escape me, but I think at the time they were going through it initially, they were claiming money back from the carriers. The number in my mind is $250 million. Then they put the vouchers back in the stacks, and we were mandated to reaudit. I think from the reaudit, another $250 million was recovered from the carriers. My figures may be hazy.

That went on until some time in 1961. It was from 1948 to 1961 that the reaudit took place simultaneously with the current audit.

Dr. Trask

The Bender Committee reported that the World War II transportation audit had recovered $350 million, but probably twice that much should have been recovered. So they said there was probably another $350 million.

"green eyeshade" operations in GAO and to concentrate on newly emerging professional staff operations.

The transportation work was by far the largest consumer of fairly high-level manpower. The objective was to eliminate the Transportation Division as well as all the other nonprofessional functions in GAO. I think the combination of the intractable size of the workload and the anticipation that more transportation rate technicians would have to be hired to avoid exceeding the statute of limitations, particularly on the then current audit, induced GAO staff to ignore so many of these vouchers.

Dr. Trask

The report that the Bender Committee made in 1948 was quite critical of GAO. One of the things it criticized was what it called the low-level management of this voucher auditing operation. So they did not really blame the top people in the Division but apparently the management people.

Mr. Sullivan

An insight into that is that the transportation element of the Claims Division at that time was the stepchild of that Division. The Claims Division with the major claims work got a better shake as to the quality of staff assigned, etc. So that was one possibility.

Dr. Trask

One of the other things that came out in the hearings—and this was a statement from the main complainant—was that he and a number of other people who were discharged from the services in 1945 came to GAO to do the transportation audit, and they were told that this was probably a 5-year job. They had to make a commitment to stay at least 5 years to get the training, but then they were let go in early 1947. That was one of the things that caused these people to complain in the first place.

Mr. Shafer

I would like to comment on that because I personally was affected by it. This was not a really glorious chapter, from a personnel standpoint, in GAO's history. Most of the veterans that were hired were what we called "high-point" veterans, long-term combat veterans primarily, who were not familiar with government operations. They got out of the service early when there were an awful lot of jobs in Washington, D.C., to choose from. GAO and the Internal Revenue Service had the most desirable jobs available in the city for returning veterans.

Most of these veterans, not being familiar with the personnel rules and regulations, were not aware that they were hired under a provision of the Civil Service laws that did not make them permanent employees.

territorial groups. The group would get its portion of the audit. Any group had maybe three, four, five, or six subgroup supervisors at the grade 10 level who were real pros. They would take the entire month's account and eyeball it. They could eyeball the dollar amount. For a $200 voucher, you could audit it all day and not get enough out of it to justify the cost of writing an overcharge.

But these were real pros and they would set aside those vouchers that seemed to have no significant audit potential; there were rarely any large payment vouchers in that group. They would segregate vouchers in various ways. The so-called easier audits were earmarked for the junior and less experienced people and the more difficult audits for the regular journeymen and the really serious ones were given to the top-notchers, who were at grade 8 at the time.

There was an ironclad rule, which was subsequently abrogated in part—and justifiably so—that every voucher had to have an independent audit and review to maintain the integrity of the audit.

The examiner got the voucher and performed his audit. If he found an overcharge on it, he executed in longhand an overcharge statement—very often many pages long—stating in detail the justification for questioning the charge the carrier had submitted. That voucher then went to the independent review branch, where a reviewer repeated the process. Again, the reviewer was the more experienced person.

The vouchers on which there was no overcharge stated also went to the review branch. The same procedure was repeated, vouchers were dutifully stamped by number, and, unless there was disagreement with the initial determination, they went to the files. Meanwhile, those with overcharges went to the service branch, where we had our accounts receivable staff. They processed the accounts to the carrier and monitored the recovery.

Mr. Grosshans — What was the success rate of those that were challenged? Did the carriers fight us tooth and nail on some of those?

Mr. Shafer — This is just a guess, but based on my recollection, I would say that we prevailed in more than 97 percent of the cases.

Mr. Sullivan — I think over the years we had built up a pretty good reputation as far as the rail carriers were concerned so that, if we said it was an overcharge, it was an overcharge, except when there were arguments on certain

Mr. Sullivan — Pretty good estimate. [Laughter]

Mr. Shafer — Pretty good I would say.

Mr. Sullivan — We did collect it. The other aspect of the work is that, after you do the audit, you have to get the money back. You have to go through the claims process, and then you have to spend a lot of time in the courts—the court of claims, particularly—in battling the railroads on various esoteric interpretations of the tariffs, evaluation of the goods, and that sort of thing.

A lot of battling was going on legally, which meant that in the Transportation Division we had to have a small legal staff. This Special Reports staff, as it was called, was composed mostly of paralegals and technicians assisting our General Counsel's office, as well as the Department of Justice in the defense or prosecution of the suits. That was a professional type of work that we were doing.

The Work Process and Environment

Mr. Grosshans — We talked a little bit about how you went about doing those audits and, maybe at times, stamping them before they actually were audited. What was the process? Did we use 100-percent audit coverage, or did we use any kind of sampling technique in selecting payments for audit?

Mr. Sullivan — A lot of it involved a value judgment. Some technician would look at it and decide, for example, that you would not get much out of a $200 expenditure, so they would throw that aside. It was a type of screening—I guess that is a better word. It was a paper-shuffling organization. You had pounds of paper coming in, and a huge clerical work force would separate the documents and turn them over to the technicians. The technicians were classified as examiners and reviewers; the sharper of the two were the reviewers. Based on your knowledge of rates, you could look at the paperwork and conclude whether you were going to have a significant question concerning the voucher.

Mr. Shafer — I can elaborate on that. You were speaking strictly of the audit part of it. The given month's account would be assembled by the clerical staff and segregated into the territorial areas that were audited by counterpart

Abbadessa changed that and introduced a system that was virtually identical to one in private enterprise. It was a batch control system, which worked very well. Then Joe Normile came later on and refined all that and made the internal controls much tighter.

Mr. Grosshans

Joe, you were going to add to that?

Mr. Normile

Yes. The problem with the audit was that the key document was the voucher, but the voucher was not a bill of lading. It was not a Transportation Request [TR]; it had nothing to do with transportation except that the voucher listed all the items that were to be paid on that particular voucher. So that made it very difficult, not only from a control standpoint, but for the audit itself because a rate examiner would get a voucher with maybe 25 bills of lading involving transportation transactions from all over the country. There would be nothing similar about them except that they were from the same carrier.

Many of the rate examiners had for some time desired very much to get the bills of lading and the TR separated from the vouchers so that they could then organize and separate them by groups of like types of transportation situations.

That was finally done, but it took a lot of work on the part of the clerical group to figure out a way to separate the bills from the voucher and then reattach them to the voucher. They had to be returned to the voucher because, if you wanted to correspond with the carrier or the paying office, you had to refer to the voucher. You could not just have a loose bill of lading that you got a nice overcharge on without reattaching it to the voucher.

That made it pretty expensive and complicated, but, when those documents were separated from the voucher, it allowed for a much better way of organizing the audit and applying limits. I believe we always had a $100 limit, but you could get a voucher with one item for more than $100 and all the rest for less than $100, and you still had to take a look at it.

Mr. Shafer

In the computer age, that does not seem like a particularly complicated problem. But with the millions of pieces of paper that were flowing through here—and as Joe said with as much as 29 payments attached to a single voucher—as far as the carrier was concerned, the carrier's bill number and the bill of lading or transportation request number were paramount. As far as the government was concerned, the voucher

issues of classification of the goods transported and the rate to be applied.

Mr. Grosshans — Did we have to collect, or was it just offset?

Mr. Shafer — We had time limits. We would give them so many days to refund the overpayment.

Mr. Sullivan — I guess the bulk of the money we got back was from refunding.

Mr. Shafer — The bulk of the money was from refunds. The time allowed for making refunds varied from 90 days, 6 months, to maybe a year one time. The railroads had the same problem of auditing the bills that we did. As long as they refunded within the period that we had set, it was a refund. The bulk of the money, I believe, was collected that way. Now if it ran over that period, we would offset amounts due against the accounts anywhere, particularly in the Military Finance Offices.

Dr. Trask — Did those refunds come to GAO?

Mr. Shafer — Yes, and then we deposited them as miscellaneous receipts in the Treasury Department.

Mr. Grosshans — Fred, you just described the various laborious steps you went through in segregating vouchers and eyeballing quickly those that might show some payoff. How did we keep track of all that? What kind of a system was in place?

Mr. Shafer — In terms of what you would call controls over work in process, there were really very few controls over the work in process until John Abbadessa became the Director. You would get thousands upon tens of thousands of payment vouchers in a given month's account. That account was assembled by the clerical staff, identified, for example, as the April 1943 account.

It was kept reasonably intact but there were all sorts of reasons—correspondence, overcharges, claims settlements—why vouchers would be removed from a given account, and there was no accountability for that. Suppose that initially you had $1 million worth of vouchers in the April 1972 account. You then audited them and processed any overpayments. When all this was completed, however, no attempt was made to reconcile against the $1 million. It was very loose. There were very few internal process controls.

Then there was the additional review process we mentioned. The reviewers would find errors in the audit function, and these errors would be formally returned to the examiner in writing, and the examiner got an opportunity in writing to defend himself. A record of these errors was kept, which presented some interesting situations also.

When I first became a group supervisor, way back when, I had a chap in the group who was one of those who you just mentioned and who was outproducing everybody else. But he had the worst accuracy record. He was being denied a promotion because he was getting so many returns from the reviewers. So I conducted a special analysis of his work. My heavens, he was outproducing everybody in the group and identifying more money in the form of overcharges, by far, than anybody in the group. Because he was producing more, stating more overcharges, he was getting more returns, but percentage-wise he had the lowest percentage of returns per voucher audit of anybody in the group. I immediately sent through a memorandum and gave him the promotion that had been denied for about 2 years because he was absolutely the best auditor.

Sophisticated management techniques were not in place between 1940 and 1950. This was basically a MacGregor X-type organization, where the low-level supervisors were the evaluators and determinants of who was doing the best job. They did a pretty good job, in my opinion.

Mr. Grosshans

Let me just wind this section up and have you comment on the general working conditions, the quality of life, the physical environment, and so on.

Mr. Sullivan

The quality of life, I guess, varied. It was dependent on the situation in the Office itself. We were a nonprofessional group of people looked upon, probably, as more clerical than technical, and yet we were performing a lot of technical work. We were the stepchild of GAO. The other divisions—the accounting and auditing divisions and the Office of the General Counsel [OGC]—were the eminent divisions.

It came to a head when we were doing a lot of remodeling around the Office, and people were getting new offices, new floors, etc. We were down on the fifth floor, the ghetto of GAO. The fact that we had a greater percentage of black citizens in GAO—I guess Claims had quite a number, too, but we were predominantly the black organization—might have had something to do with it.

number was all important. Those voucher numbers did not appear on all the documents that were put in front of you.

So the goal of segregating the payment voucher from the basic transportation document was one that we long pursued. But the clerical job was absolutely astronomical.

Mr. Grosshans — I want to pursue that a little more and try to get some handle on this. You mentioned Al Shuman. How did you, in this clerical function, know when the people were pulling their own weight, when they were doing a job, or when they were just handling a lot of volume but doing a sloppy job quality-wise? How did all that get done?

Mr. Shafer — You mean the clerical function or the technical audit function?

Mr. Grosshans — The technical audit function. What was the advantage of somebody doing four times the work of somebody else? You just got four more boxes to do.

Mr. Shafer — Just pride. [Laughter]

Mr. Sullivan — I guess pride and competition.

Mr. Shafer — Prior to coming to the government, I had indicated that I had worked in the international correspondence schools in Scranton, Pennsylvania. One of the subjects that I was responsible for was a subject called "Managing Men at Work." We taught in that course that, even if there were no production goals stated, the group itself would establish production norms which, although unofficial, would become well known to all members of the group.

This was true in the Transportation Division. There were no production norms. However, we all knew what the minimum acceptable level of audit was. Some people did 4 hours of work and could exceed those norms by 100 percent. Other people, if they had worked 12 hours, would not have approached these norms.

These distinctions became well known to the supervisors. There was not the frequent labor turnover and personnel movement that you fellows experienced in the professional audit divisions. These people stayed in their jobs from start to finish for maybe 25 to 30 years. So the supervisors knew who the outstanding producers were and who the weak producers were.

Mr. Shafer

I was given the impression that in the late 1940s (1947-1950) Ted Westfall was probably the guy who was looking at some of these aspects of GAO.

A fellow by the name of Bob Brandt, who I am sure some of you recall and who later became Director of the Far East Branch, had a task force that looked into how GAO would get rid of the Transportation Division. One of the concerns was determining whether whoever assumed the responsibility would continue to make thorough audits and diligently pursue recoveries. Keep in mind that the 1948 congressional hearings were still fresh in their minds. One of the best ways—and perhaps the only way—to test whether a transfer was feasible was to compare the Navy preaudit, which was one of the few preaudits of that type left in the government, with the GAO subsequent postaudit of the Navy account.

I was put on a task force to look into that. We always reaudited the Navy account that had been preaudited, and we always recovered substantial additional overcharges from the Navy audit, even though they had a qualified staff of technicians. That, coupled with the special legal requirements in the Transportation Act of 1940 and a number of other operational factors, killed any thought of eliminating the GAO transportation audit.

Mr. Sullivan

I think we concentrated on transferring other remaining GAO executive branch functions then. That was always foremost in our minds before and during Elmer Staats's tenure in GAO. We explored how we could close the loop on the 1950 transfer of these essentially executive branch functions back to the executive branch and concentrate on our professional work.

Reviews of Traffic Management

Mr. Eschwege

The Transportation Division began at some point to branch out and get involved also with traffic management or more of the audit of transportation activities as opposed to just this voucher audit. I assume Joe and Fred were somewhat involved in that. You might want to discuss how these audits evolved and we started looking into travel, household goods, and traffic management, per se.

Dr. Trask

What about the earlier period, before GAO moved into this building, when GAO was in the Pension Building? Where were the Transportation people during the war, for example, or right after the war?

Mr. Shafer

They were in two places. One was in a furniture warehouse at 1331 U Street, which is where I started. The working conditions were absolutely dismal.

Then we occupied a group of temporary buildings out in McLean Gardens, which was in Northwest Washington, D.C. By far the largest part of the Transportation Division was located in McLean Gardens in those temporary buildings.

But the working conditions certainly up to Abbadessa's period were really dismal. Abbadessa brought great changes in a short period of time. Tom was working on improving the environment. We really did not come out of the environmental doldrums until about 1960 to 1965.

Mr. Eschwege

Let me take you back to around 1950. In looking at GAO as a whole, it was trying to get rid of most of its centralized voucher audits. Although recognizing that auditing transportation vouchers was a special, more technical function, was there any effort made at that point or some question raised about why this particular audit should stay in GAO as opposed to going to the executive branch of the government?

Mr. Sullivan

I do not recall. Do you mean as early as 1950?

Mr. Eschwege

Yes. This was at a time when they were getting rid of all the other voucher audits.

Mr. Sullivan

The first indication I had of the desire to curtail the Transportation Division activities was when Comptroller General Joseph Campbell brought it up. What he wanted to do was to telescope the payroll, particularly in the two subdivisions—the freight and passenger subdivisions. He thought that we were overemployed in the passenger area and undercompensated in terms of returns. At that time, there was no intimation that we should get rid of the entire organization. When I arrived in 1960, we were concentrating on winding up the reaudit of World War II transportation and reorganizing both the passenger and freight subdivisions to absorb the personnel from the reaudit when it was completed.

I do not know what the percentage was, but around 5 to 10 percent of the shipments were off by a considerable amount.

Mr. Eschwege — What kind of legal action was taken against these people?

Mr. Normile — Well, when the military got the bill, it would correct the amount to be paid.

Mr. Shafer — We reported that to the Justice Department and the Interstate Commerce Commission [ICC].

Mr. Eschwege — Did they blacklist some of the companies that were flagrant violators?

Mr. Normile — None of them did very much.

Mr. Shafer — It was like everything else. There were two sides to the story, which made blacklisting very difficult. The evidence that we collected was not designed to demonstrate criminal activity but to improve the administrative functions within the agencies. Our evidence, at least as far as the Justice Department was concerned, was not something that they could proceed on without more information.

But I think your question was how we got into these audits in the first place. Actually, I do not really know what the genesis of the idea was, but I keep mentioning the term rate technician. When John Abbadessa became Director, I think he had the same view of the Transportation Division that Tom had when he came to us, that is, that we were paper-shuffling clerks.

John Abbadessa found that the people in the Transportation Division were—as he always said—real pros, being fully cognizant of management audits and what they could do. He felt that the expertise in the Transportation Division could be transferred into these management audits if properly developed and managed.

So it was Abbadessa who created the first group called the survey branch, if I recall correctly.

Mr. Eschwege — So that was as late as 1959, then, when it got started?

Mr. Shafer — Yes. He was only there 1 year. Bob Floyd, who was his Deputy, was actually the engine that got it going. He organized the survey branch and

Mr. Normile — When Oye Stovall asked me to come on board, Fred already headed an organization. Maybe it was a staff of a dozen or two.

Mr. Shafer — We had about a dozen people.

Mr. Normile — We had initially concentrated on selecting some aspects of transportation management that we thought would be susceptible to a management review. Because it was so interesting, I worked a lot on auditing the weights of household goods shipped by the military. It came to our attention that this activity was probably very loose and that there might be a lot of overcharges to the government by falsifying the weights on bills of lading.

I remember we found a weigh station scale on New York Avenue across from a motel where the big household goods trucks pulled up to weigh. So we assigned a couple of staff members to watch those trucks from across the street. You could see them pull up to weigh the truck when it was empty, and they would get everything off the blooming truck. The driver and the helper would all get out, and then you would see that truck come back later after it had loaded up, and they would put the dollies back on the truck, the driver and the helper would stay in the cab, and you would get all that extra weight and then the gas.

Mr. Sullivan — The gas was heavy.

Mr. Eschwege — They gassed up before they got on the scale. Is that it?

Mr. Normile — That is right. They would weigh empty without the gasoline and then gas up before they would weigh the load.

As part of our review, we also sent one of the staff members to follow the empty truck to where it was going to pick up a load, and then after it left we would go back to that household and ask—usually the wife was at home—where the shipment was going and whether it was a military shipment. Surprisingly, most of the shipments in Washington, D.C., were military. These are the big loads going between cities.

So then we alerted the military overseas to weigh at least a sample of their shipments at the destination point. We called it a reweigh.

We reversed the procedure to find out what the actual weight was. You get the loaded weight, and then you unload the stuff, and then you make sure that the empty truck has only the equipment it is supposed to have.

Transportation Division's area of responsibility versus that of the operating group's?

Mr. Shafer — Well, it was not easy.

Mr. Sullivan — Traffic management is a really broad field. You can get into anything in traffic management. I do not think it ever occurred to us that we were tramping on somebody's toes.

Mr. Shafer — Inevitably, you back into supply management. We were very cautious. We were neophytes. We were not even members of the professional staff. We did not call this thing TRATMAR until we got accepted officially as members of the professional staff. So we treaded very carefully.

But the important ingredient was that we had the wholehearted support of Charlie Bailey and Bill Newman.

Mr. Sullivan — Particularly Bill Newman.

Mr. Shafer — And that solved a lot of problems because they realized that they were not focusing on transportation, per se. The other thing was that it took a long time to get the people trained. Very early on we were doing jobs that strictly grew out of audits and rate work. By the time that we started to get to the point where that would have been a problem, GAO had reorganized in 1972, and the TRATMAR Group was absorbed by LOGCOM. At that point, the problem disappeared entirely.

Mr. Grosshans — I remember in the 1960s, for example, some of you coming out to San Francisco when I was still out there. We just logically assumed that transportation was one of the functions that you looked at. For instance, one of the earliest jobs that I was involved in back in 1959 was the Military Airlift Transport Service. We got some pretty sizable refunds in the transportation area. For example, we found that the carriers were shipping their spare engines, taking them out and positioning them, and billing the government for that weight, which was illegal. In those early days, the loading of some of those planes was also examined.

Mr. Normile — I thought the Military Airlift audit group of the Defense Division was the only area where there was really a close overlap because the TRATMAR Group also had an interest in it.

Mr. Sullivan — Did you do Military Airlift when you were in the Air Force Group?

assigned a small nucleus group. The highest rank was a grade 12, and we had approximately eight people assigned to it.

As I said, Bob Floyd died and no one was available to guide the group. We set up a procedure with these hundreds of auditors that we had to report to the survey branch anything in their audits that appeared to be a traffic management problem. These were cases in which the nature of the shipment was suspect for one reason or another.

This procedure was only partially effective because, as I indicated, we had informal production norms in those groups, and they got no credit for identifying these management problems. But nevertheless they were very interested and did report a substantial number of problems to us. The staff at the time developed a system for pulling together like problems that were reported over a period of months and developing a case.

They were not trained to go out to the field to identify the management problems or determine whether there was a management problem. Instead, they drafted letters of inquiry, which was the customary Transportation Division practice, and sent them to the Department of Defense [DOD] if it were a Defense case. Defense would look at it and usually come back and say that everything was all right, and there was no basis for developing reports.

So that was the genesis of it. It was an outgrowth of Abbadessa's interest in tapping the technical expertise to deal with the professional audits. Then later we started sending people to the professional staff schools and sending them out into the field. We did a lot of work in the field, surveying transportation offices, starting with major depots like the Atlanta General Depot, for example, just to get familiar with how they processed the paper, classified the articles, and selected a carrier to ship them. We did this to build a management understanding on top of the technical understanding.

Mr. Grosshans

The staff that you called a "survey group" in the early days--was that the forerunner of the TRATMAR [Transportation and Traffic Management Review] Group?

Mr. Shafer

Yes, it was.

Mr. Grosshans

After you had established the TRATMAR Group, you were also programming some jobs into regions. How did you decide when it became the

Mr. Grosshans — Were government contractors authorized to use section 22 rates?

Mr. Shafer — Yes.

Mr. Grosshans — Was that one area that you guys looked at heavily, to see if they were taking advantage of that?

Mr. Shafer — No, I do not recall looking at that. Section 22 applied only to government-owned equipment.

Assisting Agencies With Travel and Legal Issues

Mr. Grosshans — We have talked about some of the working conditions and the work that was being done by the examiners. One of the areas we have not touched on concerns some of the additional activities that the Transportation Division got involved in that had an impact on government travel, for example, first-class travel. Were we responsible for eliminating that perk?

Mr. Shafer — No. The Bureau of the Budget initiated that, and we did some work to support their effort, and we supported the conclusion. But we did not initiate the change.

Mr. Normile — As I recall, DOD had special rates with the air carriers for first-class travel; it got a discount, which made it about comparable to coach.

Mr. Shafer — I don't think that was the reason for the use of coach, though. The Office of Management and Budget was trying to get the same rate privilege for all the agencies, and the carriers would not grant it. I understand that the carriers were then trying to abolish the 10-percent discount to Defense on first class.

The air carriers started to make heavy inroads into surface passenger transportation approximately in 1948. To be competitive, they granted DOD a 10-percent reduction on first-class air travel. But you must remember that at that time it was a reduction from 99-percent of DOD travel because everybody traveled first class. There really was not much coach space in the aircraft. Once the air carriers felt that they had

Mr. Normile — Yes.

Mr. Eschwege — That was before you came to Transportation.

Mr. Shafer — There was a definite overlap. It was there all the time, but it was never really an operational problem. If there was a problem, it was small enough that it did not really surface.

Mr. Grosshans — I think we looked forward to working with you because it gave us another publisher. [Laughter]

Mr. Eschwege — You were still in the field—I did want to ask one quick question. I know we want to wind this up. One problem I kept hearing about was the illegal use of freight forwarders. Was that a big issue?

Mr. Shafer — Did you use the term unregulated freight forwarders?

Mr. Eschwege — No. I did not think you could use freight forwarders in the government.

Mr. Shafer — Oh, sure you could use them. In many cases, it was advantageous both monetarily and service-wise to use them. But "unregulated" freight forwarders applies uniquely to a class of carriers in the household goods industry. They were not subject to ICC controls. It was largely not a great legal issue because virtually all of the household goods moved for the government moved under an exception to the authority to regulate rates under section 22 of the Interstate Commerce Act. But we did have unregulated freight forwarders. It was really a cutthroat business. It could become a major legal issue insofar as it concerned their right to transport goods.

Many legal cases came out of various things that class of carrier tried to do. It occurred primarily in overseas shipments of household goods. A number of legal questions arose over how they conducted business, but these did not affect their basic right to compete.

Ultimately, they became the major transporters of DOD and State Department household goods between the United States and overseas.

Mr. Sullivan — But it was under a tariff that they negotiated between the military and the forwarders and with the State Department on the same basis. They followed a document in terms of what they agreed to do, what rates they charged, and that sort of thing.

district of Miami as an expert witness on a very famous case, Associated Air Transport v. the United States. I was involved in it for 6 years and then turned it over to someone else when I became Deputy Director.

But we had a number of men and women, particularly in this Special Reports Branch, who were absolutely super experts and outstanding witnesses. They were constantly interacting with the Department of Justice on those cases. The Special Reports Branch, incidentally, was headed by a lawyer. For the most part, the other staff members in that branch were either people who had law degrees but were not members of the bar or were top-notch technicians. They would be called paralegals today.

Then we drew on the General Counsel's staff—Ed Cimokowski, who was the Associate General Counsel and a former auditor in the Transportation Division; Gerry Rubar; Charlie Goguen; Woody Wells; Darrell Jones; Mitchell Dick; and Bob Heitzman—were all alumni of the Transportation Division.

Mr. Grosshans — What was the Transportation Division's relationship with the Congress? Did you get many requests for doing specific studies on complaints and validity of rates and that type of thing? There must have been a certain amount of correspondence.

Mr. Sullivan — I do not recall anything specific except for the Billy Sol Estes case. That was down in Texas, I guess.

Mr. Eschwege — Yes. That involved inventory shortages of salad oil.

Mr. Sullivan — We gave some assistance, I think, to a GAO Division—I do not know which Division handled that.

Mr. Eschwege — That was probably the Civil Division. I was in charge at Agriculture.

Mr. Sullivan — You were? I forget the chap's name now who did the work for us, but he did a pretty good job.

Mr. Normile — I can remember a congressional request on travel agents. That must have been in 1965 or 1966. Some travel agent complained to his Congressman that he was not allowed to do business for the government. The Congressman sent it over to us and asked us why we had that rule of not allowing the use of travel agents. At that time, we looked at what it would cost the government to allow it and what impact it would have

a lock on passenger transportation and moved it off the railroads, they came in and renegotiated the agreement granting equalization and the 10-percent discount.

But before that, a number of efforts to get the percentage reduction for the civil agency travel never succeeded. That issue was not related to switching from coach to first class because very little coach was used or available.

Mr. Grosshans — How did you work with the Justice Department in pursuing some of these claims? You have talked about some of these things being referred to Justice. What was your working relationship with them?

Mr. Sullivan — We worked principally through OGC. We had transportation attorneys in OGC, some of whom started out as rate technicians and went on to law school.

Mr. Eschwege — You mentioned earlier that you had a small group of lawyers in the Transportation Division, too. Was this a different time when you used the General Counsel's office?

Mr. Sullivan — No, they were there from the time I got to the Division until it was transferred. They were part of the transfer when the Division shifted to GSA in 1975.

They would develop reports that we would send to our General Counsel. These would include comments on a particular court case and what legal and technical arguments we had. We would work through our General Counsel with the Justice Department and the Attorney General.

Mr. Grosshans — Were there any disputes with the Attorney General on some of these issues?

Mr. Sullivan — Yes, but I cannot recall any specifics.

Mr. Shafer — We had very few disputes. It worked both ways, but sometimes an attorney from OGC would act as "of counsel" to the U.S. Attorney's office, and the GAO lawyer would sit at the counsel table with the Department of Justice attorney and participate in the adversary proceedings.

Then the Transportation Division continually furnished technical people as expert witnesses. I spent years in the district court for the southern

have the authority to state an overcharge against such payments, but we could cause a case to be instituted through the Justice Department before ICC to have that agency, for example, declare that rate unreasonable.

If ICC agreed with us, then the carrier would be liable for refunding the difference between what was determined to be the lawful rate and what had been the legal rate for the number of shipments involved. We had several similar situations, but they were certainly not a large volume of the type of work that we did.

Frankly, I am drawing a complete blank on particulars. But I cannot imagine a situation where that would have impacted our work in any significant way.

Mr. Eschwege

You mentioned Abbadessa's sojourn in the Transportation Division. His statement to us during the interview was that Mr. Campbell sent him there to make a survey. He had an option of either becoming the Director or just doing that survey and then getting out of there. He asked to be a Director so he would have more authority.

As you said earlier, he advocated more emphasis on traffic management, and he said he also advocated increased attention to truck and air transportation. He wanted more studies made on that as well as reports to the Congress on the management of it.

Is there anything you want to add to that? Is it your impression that you still had a railroad-oriented group in 1959?

Mr. Shafer

I read that and I must say that I do not know what John was referring to.

What was happening about the time that John came was what I alluded to earlier. Air transportation following World War II gradually started making inroads into government passenger transportation. Through discounts and so on, they attracted more and more government travelers away from railroads, which were the primary carriers of passengers in those days, particularly for long-haul traveling.

Naturally, as the air carriers started to get more business, there were more billings, and the volume of their billings was increasing. We had a very, very small group in 1948 through 1950 auditing air transportation. I daresay there were not more than three.

on the local carriers that received subsidies for carrying mail. It did not seem like it would be a good idea to drop the rule.

Mr. Shafer — That would come up every 2 years in one form or another.

Mr. Sullivan — One way or another we were against it, but I guess they won out in the end.

Mr. Shafer — After I retired, they changed that. [Laughter] I opposed it for my entire career, and I learned this from a great old GAOer, John Howard Cooper, who retired as Tom's Deputy.

Court Decisions and Studies Affecting Transportation Activities

Mr. Eschwege — Let me mention one particular Supreme Court decision [TIME-Davidson v. United States, 359 U.S. 464 (1959)] that seemed to leave GAO somewhat in shock. It had to do with the government's recovering unreasonable charges from motor carriers. Do you remember that at all? They were saying that we just could not recover these charges after they had been paid to the motor carriers.

I got this out of one of the annual reports, and it was saying simply that, to overcome it, GAO was going to draft some legislation. Apparently the law did not read right. But I could not find any further information later on that legislation was passed to overcome this Supreme Court decision. Do you recall anything like that?

Mr. Shafer — I do not recall anything specifically about it, but, just from the terms you have used, unreasonable motor carrier charges would be entirely different from overcharges we detected in our audits. An unreasonable rate could be a perfectly legal rate.

So let's assume that a motor carrier of freight was transporting a piece of a certain type of freight between points A and B. His legal published rate might be $25 per hundred weight. Because rate experts would analyze the material being shipped and make comparisons with other types of similar equipment, that rate would look unreasonable. GAO never did

to work with because we had to maintain a staff of sufficient size to complete the old reaudit, recognizing that was going to terminate.

So we let the current motor carrier audit slide as closely as we could back to the statute of limitations so that, when the reaudit was completed, we would not have a large reduction in force. We could then retrain—which we did later—the rail auditors to handle motor carrier business and take care of the backlog before the statute of limitations ran out. We were also hoping through retirements, transfers, and so on to avoid layoffs. It worked and we did not have a reduction in force.

Mr. Eschwege — I just want to mention one study that I think Tom was a part of. It was chaired by GSA and called the Joint Agency Transportation Study of 1970. It was supposedly to simplify and expedite payments, better use of cargo space, and so on, but you probably know more about it than I do.

Mr. Sullivan — There is not a great deal I can recall, although we worked hard on it. There was a fellow assisting the study by the name of Lowell James and a young fellow [David Engstrom], who later became an attorney in the General Counsel's office. He eventually became an attorney upstairs.

The idea, as I recall, was to expedite the payments. They were being tied up in the paying offices of the military, particularly. We were looking for a way to streamline the paper flow into and out of the Indianapolis Finance Center.

Mr. Eschwege — Do you recall why they had GSA heading it? Was there some idea then that eventually your operation would go to GSA?

Mr. Sullivan — I was not aware of it.

Mr. Eschwege — That happened about 5 years before the transfer took place?

Mr. Sullivan — GSA, of course, was the housekeeper for the government, in general. But it was the transportation people in GSA who were involved in this study.

But the volume of work increased, and naturally we did spend more time on the air audit.

Mr. Eschwege — And motor transportation, too, I guess?

Mr. Sullivan — Staff changes occurred as new methods of transportation came along and as the flow of paper varied. In the motor carrier field, for example, exotic carriers came into being in the late 1960s, transporting nuclear material. A spin-off from the motor branch took care of exotic carriers. We had a category in our audit for that.

Mr. Eschwege — Did it require retraining of people? I always imagined that the railroads were different from these other rate-making organizations.

Mr. Sullivan — Not particularly. They had to use tariffs, too, just like a regular business. Railroads or motor carriers had tariffs.

Mr. Shafer — With the substantial completion of the interstate highway system that was initiated by the Eisenhower Administration, the motor carrier industry in the United States expanded by leaps and bounds. Prior to the interstate highway system, the motor carriers were primarily short-haul carriers. However, when the highway system expanded, motor carriers were often able to transport things economically faster than the railroads over a greater distance because the handling of freight through motor carrier terminals is entirely different from the handling of freight through rail terminals.

So carriage of freight by motor carriers expanded as did the carriage of passengers by air carriers, and therefore there were more billings against the government.

But you must recognize that during this period, as the motor carrier bills were expanding, we still had the World War II reaudit to perform, which was predominantly rail. This presented a tricky management problem. We were not about to take rail auditors away from that World War II audit, which was a very lucrative audit, and put them on the more current motor carrier audit.

So what we did was recruit. We had stopped our training programs, which gave rise to problems later with the minority groups. We started to recruit motor carrier specialists, primarily from small motor carriers. It was a tricky management problem that Tom and Oye particularly had

The other thing is that he did not like anybody gossiping about him. He came down on quite a few people.

Mr. Normile — He fired people readily if they did something seriously wrong.

Dr. Trask — Was he vindictive?

Mr. Normile — There was no second chance, no drawn-out procedure about it. It was "bang" and you were fired.

Mr. Sullivan — And he attended to detail. In my case, I was the Director down there, and I wanted to promote somebody from a grade 3 to a grade 4. I had to get his okay before I could do that. We had no latitude at all. He would always bring up—even if the promotion was from a grade 3 to a grade 4—what the person's leave record was.

Mr. Eschwege — Sick leave, especially.

Mr. Sullivan — That is right. Things like that, which were minuscule, he would look at. But that did not bother me that much. Sometimes it had its advantages. If I could not get something through Personnel, I would just go to him and get his okay, and then I would go over to Personnel and show them the notation, "Okay, J.C.," and that precluded any further questions. [Laughter]

It had its pluses. When he retired, he was in the hospital. I went over there. At that time, I was a grade 16, I guess, but I was the Director of the Division. He was trying to apologize to me for not giving me a grade promotion at the time. I told him to forget about it, just to get well, and that type of thing. But we had a good relationship.

Staats was a different kind of man. He was more stand-offish. I think of the two, Campbell had a warmer personality than Elmer Staats, although I cannot speak badly about Elmer because I flourished under him. He left me pretty much on my own. I would go up and talk to him. He had these interstaff meetings all the time. But it was a good relationship. It was always difficult to talk to him about just normal things. There was no "small talk" with Elmer. It had to be business and that was it. But my relationship with him was excellent.

Mr. Grosshans — Fred, did you want to comment at all?

Relationships Within the GAO Environment

Mr. Grosshans

We have talked about the different phases in GAO's growth and development. You have worked under two or three different Comptrollers General during your careers. Would you care to elaborate at all or contrast the styles? What type of contact did you have with Warren, Campbell, and Staats? What were your working relationships with these individuals?

Mr. Sullivan

Like most people commented, each Comptroller General brings his particular skill or philosophy to the Office. At the time I came to GAO, we were doing a lot of corporation audit work. Campbell was always strongly encouraging the staff members' to get their CPA [certified public accountant] certificate and prevailed on the various state organizations to recognize GAO accounting experience. That paid off, I think. Many people we were recruiting then came from the public accounting profession.

My relationship with Campbell was a good one, I think. Like most people, I was scared to death of him, but we did get along well. [Laughter] He called me into his office from time to time to chat.

Maybe I should not tell you this, but as soon as Abbadessa left GAO to go to AEC, he called me in and I sat there and listened to him. He talked like a father shocked by his favorite son running away with a chorus girl. He could not believe it, I guess, so that was why he was talking to me. I was trying to say nothing against John Abbadessa, of course. I just listened. I forget what I did tell him, but he was upset.

Dr. Trask

Why do you say that people were scared to death of Campbell? What was it about Campbell that made people have that attitude?

Mr. Sullivan

Most of us had it, I think. A few, like Bill Newman, probably did not.

Mr. Normile

I bet he did, too.

Mr. Sullivan

Campbell had an austere Brahmin-like personality, coming out of Columbia University and the eastern establishment. Of course, he dressed beautifully and that might have had something to do with it.

I remember one time Campbell called me when I was Deputy Director and Tom was on vacation. With knees trembling, I went up and he was interested primarily in someone's sick leave record. I had been alerted in advance from Tom about that particular interest of his, so I had it with me. That went well.

One thing you could say about the difference between him and Staats was that he dealt directly with the Division heads and other Office heads, whereas Staats generally liked to discuss issues in large meetings and with large groups. There were no decisions at the end of these meetings. If you needed a decision from Mr. Staats at the meeting, you would not get it right away. You would have to wait until later.

Mr. Sullivan — With Campbell, we had that squawk box. It was a direct line from him to the Director and, when that went off, you paid attention.

Mr. Eschwege — You jumped out of your seat. [Laughter] I had one, too.

Mr. Sullivan — He received respect.

Mr. Grosshans — You had a number of different Division Directors. We already talked about Hoagland, who was there from 1948 to 1959, and then Abbadessa was there for a short time and then Oye Stovall. Then, Tom, you followed in 1962 and remained until the demise of the Division in 1975, when most of the staff was transferred to GSA.

Are there any comments on the different leadership styles of the Division's top management during this 1948-1975 period?

Mr. Sullivan — I think, from an impact standpoint, probably Abbadessa—even though he had a short tenure there—did the most, at least from the morale standpoint of the Transportation Division. Would you agree with that?

Mr. Shafer — Yes.

Mr. Sullivan — Then Oye had his personality, too, and I had mine.

Mr. Shafer — These fellows could not comment on their own idiosyncracies or anything like that. You had to work for them to get a proper perspective. [Laughter] So I have a few comments.

Mr. Grosshans — Do you want to mention them now or later? [Laughter]

Mr. Shafer

Well, I never had any direct association with Lindsay Warren or Campbell. The only contacts with those people were handled by the Director and the Deputy Director, and I was neither of those during that time. The only one I had contact with was Elmer Staats. Of course, for my entire tenure, it was one of the most favorable things that ever happened to me.

From the standpoint of the Division's operations or involvement, all of them left the Division alone to be run by the Division officers as long as everything was going smoothly. It worked really fine. I could not detect any difference, with the exception of the unusual situation of having to get approval of a grade 3 to grade 4 promotion from Campbell, which always seemed odd to me.

But other than that, insofar as the administration of the Division is concerned, except for the reorganization in 1948 that created the Transportation Division, I really did not notice any difference between the three of them.

Mr. Grosshans

Did you want to comment, Joe?

Mr. Normile

I will mention an incident when I had my first, very indirect, contact with Campbell. I had an assignment involving half a dozen field offices, and we had staff from them all come in for a meeting. The staff person who came in from the Atlanta Regional Office on Sunday did not appear for work Monday morning. Somebody said they saw him drunk about 11:00 Sunday night and that was the last anybody saw of him. So the information about this missing person got passed up the line, and the Division Director realized he had to notify Mr. Campbell. You did not let anything like that go by without letting him know right away.

So I guess the information was relayed to him through John Thornton, who was the head of the Field Operations Division. Thornton was ordered to go out to the person's hotel and see if he could find him. He found him dead asleep and drunk.

So he reported back to Campbell, and Campbell said to get his resignation right away. I guess it was the next morning when they got his resignation and sent him back to Atlanta. That was why I mentioned that he acted very quickly when anybody violated any of his principles on how the place should be run and how people should conduct themselves.

I would also say that the management climate—and again I say this not pejoratively because there were many fine managers in the organization—was characteristic of all public or private organizations at the time. They were what we subsequently learned to call MacGregor X-type organizations. The Hoagland organization was very patriarchal. One got the impression that, if you were not 50 years of age, you really could not have a responsible opinion.

For the historical record, it should be noted, for example, that during the audit many questions arose that we could have resolved very easily by picking up the telephone and calling the agency involved, but no one at the staff level was permitted to use the telephone. It was thought they were not capable of talking sensibly on the telephone. The only people who could talk on the telephone were grade 12 supervisors or above. Of course, if you had a problem that could be easily solved, that grade 12 was a very busy guy. It was a very X-type, upper level, patriarchal structure.

Abbadessa came in like a whirlwind. He not only talked with the senior staff, but he sought out the younger people. He got everybody's opinion. He was a "fast study." He was a young man himself. He reorganized the Division and put younger people into positions of responsibility as part of the reorganization.

Also, my view is that his mandate must have been that if he was to keep the Transportation Division, he had to recognize that there was some relationship between the amount of money recovered and the amount of money expended. He introduced modern management practices, including internal controls over the audit and information systems. The information filtered up to the top to be used by management. So Abbadessa's impact was revolutionary.

Stovall came in with a very special problem. Abbadessa's Deputy Director died shortly after Oye came in, and he was alone in this technically oriented position. He did an absolutely masterful job of using the technical staff for the critical decisions involving technical aspects. Tom, of course, did this as well. Recognizing the difference between the basic managerial job and the technical job, Oye, by himself, with only this grade 12 assistant who was low in the organization, managed the division until Tom came on board.

Mr. Eschwege

That will be the "classified" part of this interview.

Mr. Shafer

I think it should be interesting, for historical purposes, what those who worked for these people perceived as the managerial changes. Harrell Hoagland was primarily a lawyer, and he brought with him a very colorful and flamboyant Deputy Director by the name of Mickey McDonald, another lawyer. The only one of the trio who was transportation-oriented was Associate Director Charlie L. Brodman, who was also a lawyer. John H. Cooper, who was head of one of the major subdivisions, was a lawyer. Hack [Hillis K.] Wilson, who was in charge of the other subdivision, while not a lawyer, had one of the best legal minds that you could ever want to encounter.

These lawyers wanted to practice law. Even though we had a General Counsel staff with people well-equipped to handle our legal problems, the Division management often would make legal decisions, which created some complications. They were not well schooled in transportation law. Very often, the legal decisions they made to guide our work would subsequently be reversed by OGC once carriers protested.

I mentioned earlier that I was involved for years and years as the government expert witness in the case known as the Associated Transport v. the United States. I may have had more time in the witness stand than anybody in the history of GAO. That entire case was caused by a legal decision that was made in the Transportation Division concerning a certain aspect of rates on charter air carriers, which subsequently could only be handled by the courts.

And we lost the case. We reduced, fortunately, by millions of dollars the amounts the plaintiffs were claiming by demonstrating that their claims, apart from the legal issues involved, were not valid. I think out of a total of $12 million of claims, we saved something like $4 million, but the carriers won the case to the tune of $8 million.

I do not say all that pejoratively because much legal work was needed in the transportation area. Everything in transportation rate work was involved in legal precedent provided by cases of ICC, the former Civil Aeronautics Board, and the other commissions and regulatory agencies. I think there was a natural tendency for lawyers to interpret the law. But I merely say that those of us who were technically-oriented and who would normally have submitted a case to the transportation lawyers sometimes got frustrated.

change in the makeup of America at that time. Civil rights were emphasized, and I guess that woke up some of the blacks, too.

So we did what we could at the time, but I think on the basis of training and opening up avenues for people to go from clerical positions to technical ones and from technical positions to professional ones, we were trying to work all those things out. Then, there was the march by the Black Caucus in 1971. That got my attention and certainly awakened GAO. As I recall, attention increased when they walked around the GAO Building. Tom Morris and Herschel Simmons rushed down to my office. We looked out and saw people marching around. Tom wanted to know what I was going to do about it. I said that I was going to let them march and then, when they came back, I was going to charge them for an hour or an hour and a half annual leave, and that was all I would do about it. Then they left. I guess I was not that abrupt with them. I was just shocked that the people did that.

Dr. Trask — Did they have some specific complaints and demands at the time?

Mr. Sullivan — No, I think it was the atmosphere at that time. There was a lot of agitation going on. People from the Chicago area—not from our Office—came in and advised them what to do.

Mr. Eschwege — It was not confined entirely to the Transportation Division. I had some of these people come into my office, too. I am not talking about your people, Tom, I am talking about the people who advised the Black Caucus. As I mentioned, the Citizen's Advocate Center was more broadly looking at GAO's personnel makeup in the professional field.

Mr. Shafer — Yes, but the march was primarily a Transportation Division march.

Mr. Eschwege — We did not have many black people.

Mr. Shafer — They could not march against what you did not have. I would not want to address in this forum the question of discrimination because it is a subject for discussion that should have a special coverage. However, I will say this. I never found that our black people were asking for anything more than the opportunity to show that they could do a higher level of work and advance into the higher positions. Statistically, the bulk of our low-paid clerical work force was black, and the bulk of our higher paid—and by that I mean a journeyman grade of 8—was white. These were the technicians.

Then when Stovall left and Tom became Director, I would say that we got the most people-oriented management that we ever had in the Division. Tom was always concerned about the people's well-being and welfare. It was during his regime that we did many of the things that made life more pleasant and rewarding for people in the Transportation Division.

Problems in Race Relations

Dr. Trask

We made some reference earlier to the question of staff development, and there were some fleeting references to equal employment opportunity [EEO] issues. In the late 1960s or the early 1970s, these two matters kind of came together and presented some difficulty for GAO.

I wonder if any of you can comment on the Division's grade structure and opportunities for advancement and training and on the complaints and legal challenges concerning EEO.

Mr. Sullivan

I think Fred was the major impetus for the upward mobility programming that we instituted in the Division. As I recall, it was in the 1960s when Larry Powers called me upstairs. At that time, Larry was the only Assistant to the Comptroller General. He was advising me of the problem that I had downstairs. He was referring to the race situation.

I must have looked shocked. I did not know I had a race situation. I had black people that worked for me and I had white people that worked for me and they all seemed happy.

At that time in GAO, the black people on the sixth and seventh floors were to a great extent messengers. There were very few black professionals or black stenographers even in the other Divisions.

That was why I looked at Larry and I said, "What do you mean? What problem?" He told me to look ahead a few years or something like that. So I went down and took a good look at it and started to think along those lines. I guess I was under the delusion that there would not be any problem because we were fostering the development of our people—nobody else was—in terms of the race question. So I did not recognize it as a problem, but it certainly became one—largely on the basis of the

I recall Larry Powers asking me when I was going to promote some of the black people to grade 8. There was absolutely no way that I could respond to that affirmatively because under a table of organization and, under strict classification structures, I could not do it. We had what was considered the best classification department in the world in GAO. Its classifiers were tight, tough, and they were good. But this organizational structure gave us absolutely no flexibility in personnel handling.

The structural organization of the Division was bad. Tom and I corrected this. We had the technical operation and we had the paper-shuffling operation that put the papers together, broke them apart, and put them back together when the audit was over. Then we had a smaller organization of tariff clerks. They were the cream of the clerical positions. They were generally the highest paid clerks. The tariff operations were closely related to and supervised by the technical staff.

But this huge organization, which they called the plantation, had at any given time anywhere from 400 to 600 people in it. It was set apart and never associated at all with the people it was servicing. Staff were strictly paper shuffling. The journeyman grade of that organization was a grade 3. We had some grades 4 and the supervisory staff were grades 5.

Mr. Sullivan

You got promoted into it when the fellow who had the grade 5 job died or left the office. Even that became compounded because we were under the pressure of reducing staff in the 1960s. As we would reduce staff, we would condense organizations. You might have two grade 7 supervisors and they would condense the organization and you would have just one grade 7 supervisor. That meant that the guy at the grade 6 or grade 5 level never could advance. It was a dead-end position. There was nothing you could do about it.

Mr. Shafer

The third factor was managerial. As I indicated, Abbadessa introduced modern management practices into the Division. We functioned like a private organization. We were a profit-oriented organization. You were not permitted to increase expenditures without showing that this would increase profits.

I mentioned that we had restarted the training program in 1949 to accommodate the demands of the World War II reaudit. We ran those training programs for several years, and we took into those training programs many of our black employees and trained them as rate technicians. These were probably the only minority rate technicians in the

The big complaint was that there was maybe a 90-percent black clerical work force, all of whom had white supervisors. Well, not all had white supervisors. The two top supervisors in the predominantly clerical section were white, but they were old senior employees. They had been in those positions for many, many years. The organization was filled with many black supervisors at the lower grade levels. We had grade 5 supervisors—it was very difficult to talk of that grade as a prominent or important grade, but, in the Transportation Division, a grade 5 was a supervisor. Most of the grades 5 were blacks. Some of the unit heads up to grade 9, for example, were black.

But the bulk of the blacks, as well as whites in the same organization, were stuck in dead-end positions. I think it is important to note that three aspects of operations in GAO that had nothing to do with discrimination caused people who were in dead-end positions to be hopelessly locked in where they were.

One was the organizational attitude towards our transportation people. Whether we like it or not, those who were part of the professional staff in GAO were considered somewhat of an elitist group. GAO had gotten rid of all the other organizations that were considered green-eyeshade organizations but was unable to get rid of the Transportation Division. The Division took up part of GAO's appropriations, and it was taking up staff. We were getting very little of the training money.

So the attitude was—as I interpreted it at the time—GAO has to put up with these people, but they are over there and the rest of the organization is over here. Not much management attention was paid to staff development, and there was no attempt to facilitate the transfer of some people from the Transportation Division into the more lucrative positions in the professional audit staff. That is number one; it was just an attitudinal thing that seemed to have nothing to do with race but with people in this category.

The second factor was organizational. We had a table of organization structure in the Transportation Division. Claims Division was similar, but we were the only large organization in GAO with a table of organization structure. The professional Divisions had no table of organization structure. People really could advance to grade 14 in those Divisions and had reasonable expectancy of advancing to grade 14 if they were reasonably competent. In a table of organization structure, you might only have two grade 5s, three grade 7s, and so on.

could not get people into the limited number of reasonable grades that we had, but now Personnel said that they were making too much money as it was.

We could replace clerks if they got too unhappy, but our technicians were the most important people we had. They were irreplaceable. So our first job was to restructure the audit in such a way that the grade structure, as it existed, could be justified. That took a considerable amount of time. What we did there was instead of having rail auditors, motor auditors, air auditors, and passenger auditors, we cross-trained them. We did not cross-train them with any formal classes because they were skilled in interpreting tariffs. We merely reassigned them and they would be assigned as sort of apprentices.

So we cross-trained and the rail auditors became motor auditors, and the air auditors became rail auditors. It worked and we preserved the grade structure.

The next problem was with the clerical structure. We knew that these people were dead-ended. Sometimes, an individual—either black or white, but predominantly black—would be under the same supervisor for 20 years. If that supervisor was down on him, he would get a bum performance rating for 20 years, and he had no escape from that.

So what we did was—and this was in the works before the 1971 march—we completely restructured the clerical support staff. It was a laborious task to restructure these hundreds of individuals. We eliminated this large service subdivision that was predominantly clerical employees and took the functions that they were performing for certain areas in the audit and assigned them to audit areas with top-level supervisors not at grade 5, 7, 9, but at grade 14 or 15. Not only that, but the people who were performing the audit could see the people who were supporting them in accomplishing that audit. They were intermixed and working in the same geographical area.

Secondly, not only did we eliminate that huge subdivision but we started a cross-training program with those clerks. We trained voucher clerks to become tariff clerks, for example. This was voluntary on their part. They marched around the building on a Friday, and this program was all ready to go on Monday and they learned about it on Tuesday.

They could sign up for this program, and they would go into a rotational training program where they would become cross-trained in all of the

United States because the transportation industry at that time simply did not employ minorities in that category. These people were very successful in becoming transportation rate auditors, and they became supervisors and moved up to our senior level, but there were not that many overall.

As a practical business matter, we terminated the training program because, as I mentioned earlier, the audit shifted from rail to motor. A large number of fully trained rate auditors from the small motor carriers were available, and it was much cheaper to hire them and put them to work the next week, after a short period of indoctrination, than it was to train people. That was a major mistake, in my opinion.

So we wound up in the late 1960s with this table of organization kind of organization. There was absolutely no flexibility, and structurally the people were subdivided so that the clerical staff never came into association with the people whom they were servicing. These clerical people stayed with the organization, you understand. These were not 18- and 19-year-olds. These were mature people with families who were living on grade 3 and grade 4 salaries.

So there was a built-in combination of problems, apart from whatever discrimination, per se, they may have felt. The problem came to a peak when the blacks marched around the building.

Now what did we do to solve that situation? We had two problems at the time. One involved the technical staff. The journeyman technical grade was GS-8 with a few GS-9 special positions. But Personnel was doing job surveys and concluded that our technical positions were overgraded and should be reduced by one grade. These were very, very excellent GAO Personnel people who were doing the surveys.

So Personnel concentrated on the Transportation Division and they were good. They looked at the grade structure. We had the finest transportation technicians in the world, acknowledged by everybody. We had the widest range of transportation work being done by any single organization in the world. And we had by far the most comprehensive and well-maintained tariff structure—tariffs being the books where you look up your rates—of any organization in the world.

And yet our classifiers—and they were probably right—determined that within the strict interpretation of the classification rules and regulations our people were overgraded. We not only had a problem and

time he was being transferred into the Transportation Division while GAO was hiring people in the Audit Division with much lesser qualifications than Otha had.

I am sure that Otha saw GAO hiring people out of college with bachelor's degrees with no work experience at the grade 5 and later grade 7 level and wondered how he, with a degree from the University of Chicago and having continued his education at night, had not been offered one of these jobs.

So he could well have thought that he did not get offered such jobs because he was black. The fact is that some white people similarly situated were also not getting offered those jobs. We had any number of whites in the Transportation Division who had degrees in accounting—we had a guy with a master's degree from Princeton—who likewise were not offered such opportunities.

This gets back to the attitudinal problem that I talked about earlier—the organizational attitude toward transportation types. I can tell you, again, that early in my career I had a similar experience. I graduated in 1948 with a degree in accounting. I was a grade 6 and I was in for promotion to grade 7. Obviously with a degree in accounting, I wanted to join this high-powered new Corporation Audits Division.

I graduated cum laude and was president of my class. I applied for transfer to the Corporation Audits Division. A couple of months later I got my grade 7, which was a considerable salary at the time, and they agreed that they would consider me if I would take a two-grade cut, but the dialogue that transpired at the time was, in effect, that I would not be happy there.

So it did not seem to me that it was a question of discrimination. The problem could have been solved if the initial group of people in GAO did not have this elitist complex. After the people walked around the building in 1971, we arranged with the Office of Personnel Management for a Divisionwide training program for the secretarial staff.

GAO was hiring secretaries all the time, but our grade 2 and 3 clerical employees could not compete for those jobs because they did not have the secretarial skills. So we instituted the training programs for secretaries, and we trained a number of clerical people from the Transportation Division, but nobody else in GAO wanted to take even one of those secretaries. They wanted our Division to hire those secretaries. But we

clerical functions. When a promotion became available in the tariff section, it was not only available to people working in the tariff section, but some outstanding individual over here in the voucher unit could be trained in tariff work and could compete for that job. It exposed the people to a wider variety of supervisors and therefore their evaluations evened out.

The blacks marching around the building probably caused GAO to reopen the technical training program. This was beneficial for both the whites and the blacks in GAO. It opened up the technical training program, and we started to again take clerical employees, white and black, into a formal training program. This continued and I think it reasonably satisfied our people.

Dr. Trask — I just want to ask one more question about this topic. There was a relatively well-known case, the Otha Miller case. Who was Otha Miller? What was this case all about?

Mr. Shafer — I went to school with Otha Miller.

Mr. Sullivan — He was a graduate of the University of Chicago with an accounting degree. When he first applied to GAO, GAO was not hiring black accountants.

So, from a standpoint of discrimination, he had a sure case, I think. But, as he grew disenchanted with the work, he just gave up and became indifferent to further advancement in the Division.

Dr. Trask — He was in the Transportation Division?

Mr. Sullivan — Yes. He was a grade 4, I think, for years and years, but was never on a promotable list.

Mr. Shafer — I should state that he only came to the Transportation Division after GAO transferred out most of its voucher audit functions as a result of the Accounting and Auditing Act of 1950. He did not start with the Transportation Division.

I do not know whether you were going to make the point, but he already had his academic qualifications when he transferred to the Transportation Division. They placed Otha Miller in the tariffs unit, which they considered to be the highest level of complexity in the clerical work area. But the significant point is that he had those qualifications at the

Mr. Sullivan

Claims had a more legitimate job to do for the government, and it was not necessarily an executive branch function. The settlement of claims was a basic responsibility of GAO under the 1921 act. The stated purpose of GAO was to settle claims. So that was not looked upon as an executive branch function, like transportation was, which was really the audit of a document that the government spent money on. In any event, all these attempts did not come to fruition until some time in 1974 or 1975.

Mr. Eschwege

The act was finally passed in the beginning of 1975, but we still retained the function for a while after that. I suppose, even though the initiative to try to do something about moving the activity had occurred a couple of times, the fact that we then had the general problem of alleged race discrimination did not help matters. Some people started to say that we were trying to get rid of an EEO problem. GAO asserted, however, that the eventual transfer of the transportation function was a long-standing issue that it wanted to resolve. Those charges were made that this is what we were doing, but it was really the culmination of the work that started under Lindsay Warren and Ted Westfall to get rid of executive branch functions.

Mr. Eschwege

It really took a long time to get at this one.

Mr. Sullivan

Yes. When we finally did it, Staats asked that I pass on his congratulations to the committee staff that worked on the legislation to authorize the transfer. It was the culmination of work that started back in 1949 or 1950.

Mr. Eschwege

How did GSA feel about taking on this function?

Mr. Sullivan

GSA was reluctant, but I guess there was some pressure from Staats and his friends in the government. GAO worked pretty well on this with the committee and GSA.

Mr. Eschwege

How about the staff, generally, notwithstanding the discrimination issue we discussed earlier? Did they want to stay with GAO?

Mr. Sullivan

I think everyone wanted to stay in GAO. People certainly recognized GAO's goal was to get rid of this executive branch function, but, at the same time, they did not want to leave GAO. They had spent their whole career in GAO. So they were resentful. There was no question about that.

Mr. Eschwege

Did it also have something to do, perhaps, with the fact that GSA was not really the most glamorous agency in the government, to put it mildly?

Mr. Shafer — Absolutely.

Mr. Sullivan — I guess it had some impact, yes.

Mr. Shafer — To this day, when former GAO transportation staff retire from GSA and they are asked where they retired from, they stress their work while at GAO. In GSA, they were much more deeply down in the management structure than they were while in GAO.

Mr. Eschwege — Still our acronyms get mixed up every now and then—GSA and GAO—and nobody's happy about that.

Mr. Shafer — But the people still like GAO, regardless of any complaints they may have had, and they take great pride that they worked for GAO.

Mr. Eschwege — Let me ask you just one last question. Maybe Fred knows some of this, but maybe it happened later. After that transfer, we still retained some audit responsibility—as we do for almost every executive branch agency—to periodically provide oversight of that function.

Mr. Sullivan — That was spelled out in the law.

Mr. Eschwege — To your knowledge, has that been done?

Mr. Shafer — I think I can say that it has not been done.

Mr. Eschwege — It has not been done? How do you feel about that?

Mr. Shafer — It ought to be done.

Mr. Sullivan — I would agree with that. I do not think it was done, either, although I left in 1976. After we transferred it in October of 1975, there would have been a period when you let GSA get their feet on the ground and reorganize the way they wanted to before you would go in there and audit them. That was not done before April of 1976 when I retired.

Mr. Grosshans — I think it depends on what we were talking about. We have done some work in the transportation area in GSA. I am not sure we were talking about the same thing.

Mr. Shafer — There never has been an oversight review of the audit function.

Mr. Sullivan — The rate audit type. Are they still collecting the money from the carriers? Are the carriers stealing them blind?

Mr. Eschwege — Also, I would think that, if these employees were not too happy moving there, they would have complained after a while if they continued to be unhappy. But I have not heard any of that, either.

Mr. Sullivan — For one thing, they did move as a group shortly after October so they retained the same supervisors that they had had for years in GAO.

Mr. Grosshans — For the record, what are we talking about? Was it 460 people?

Mr. Sullivan — I think it was something in that neighborhood. It might have been less than that.

Mr. Eschwege — The transfer strangely enough took place on Columbus Day, October 12, 1975.

Concluding Thoughts

Mr. Grosshans — By way of winding up here, starting with Joe to make sure that he gets the first shot at this, I would like you to do a little reminiscing about accomplishments or disappointments that you might have had, and the role you played in the transportation phase of your GAO career. If you had the chance, what would you have done differently in your career?

Mr. Normile — Specifically in regard to the Transportation Division, I thought I had some really good responsibilities there. It was very interesting. I would not trade that for any other 6 years in my career with GAO, which overall involved me in a wide variety of very satisfactory experiences.

But I guess my chief recollection and satisfaction in the Transportation Division activities was working with the staff that was set up to improve the efficiency of the audit by reorganizing it, getting the bills of lading and TRs separated from the vouchers and setting up the reporting system. We had every rate auditor reporting daily on the dollar value of what he had audited and what he had found in the way of overcharges. We had a complete record of the cost of the audit and what we were getting out of it by the different types of transportation. Then we would add on the overhead. As I recall, we were getting back in overcharges

about three or four times the cost of the audit and that included the cost of all the clerical support of the audit.

I thought they did an excellent job. That helped offset the steady attrition that was required by Campbell. The number of people involved was cut down by attrition, with no layoffs.

Mr. Sullivan — It forced you to manage better and make hard decisions, like condensing organizations or streamlining them.

Mr. Normile — I think in the 6 years I was there, the employment was something like 1,100 or 1,200 at the start, and I guess it was down to 800 by 1968 when I left. I was surprised that it got down as low as 460, and we were still able to do an audit.

Mr. Shafer — I did not realize it had shrunk that far.

Mr. Eschwege — Fred took some of them to LOGCOM before that.

Mr. Sullivan — In 1961, we had 1,127 people and that dwindled to 414 at the time we transferred it to GSA without a reduction in force, without any diminution of the impact of our audits on the carriers.

Mr. Eschwege — People were getting older, too. It was not a young organization.

Mr. Sullivan — You could take care of it through attrition.

Mr. Shafer — The really nice administrative job that Tom and other guys did was to relate the size of the work force at any given time to what the future work force would be when the reaudit of wartime vouchers was over. They used the statute of limitations to let the audit slide, but they had to control it so that it would not slide too far. They did a masterful job. I think both of you personally, Tom and Joe, spent a great deal of your time looking at the statute of limitations and the size of the work force to determine whether and how many people would be hired in the succeeding year. This was done to meet the work demand and to make sure that we did not fall behind the limitation set by the statute.

I know that Oye and Tom worked personally on it. It was a very neat management operation.

Joe also might comment on our aborted attempt, which I thought was kind of revolutionary, to automate the audit.

Mr. Normile

Right. We had a bright, young guy—well, he was not so young, but he had a young, enthusiastic attitude.

Mr. Shafer

John Loxton.

Mr. Normile

He learned computer programming on his own and made several attempts to automate different aspects of the freight audit.

Mr. Eschwege

This was in the 1960s?

Mr. Normile

Yes. I went to several seminars with him where other government and industry people in the transportation business would discuss and present papers on automating the audit. They were all attempting to do it, but it was so complex that nobody had made much headway. So he finally settled on the simplest aspect of freight transportation and that was household goods. He set up a system that enabled him to get a computer program going that actually audited the bills.

He was limited in certain aspects as to what he could do. For example, he could not take on accessorial charges and things like that.

I do not know how it all turned out and whether it was turned over to GSA, but he did succeed. As far as I know, it was the only automated audit of its kind in the country.

Mr. Shafer

You will recall that the transportation request was a punch card, and this was the brainchild of the officials of the Transportation Division, namely John Howard Cooper, whom we mentioned before, who was way ahead of his time in his thinking. He saw in the punch card format of the transportation request a potential for all kinds of administrative processing and rate audit. He worked for years to allocate the fields on the cards to the administrative agencies, to the carriers, and to GAO with the full expectation that this card would be used in an automated payment and audit procedure.

It never really was used for any of those things because the state-of-the-art was simply not adequate to process punch cards in the volume and with the complexities that rate work required. But Loxton made an attempt to do something with the punch card format. This of course was before the miniaturization of the computers. He was able to develop some model for the audit. But since you could not audit all of it, and you could not select what it could perform, it did not work. It was a revolutionary attempt, and I think it is worth noting for the history.

Mr. Grosshans

Fred, any comments on personal accomplishments or disappointments?

Mr. Shafer

The only disappointment I had was the one I mentioned when I got my degree in accounting and found that I was not wanted by the accountants in GAO at the time. But I was very fortunate in that at every stage of the game I worked for very forward-looking supervisors and managers.

As a matter of fact, the longest single job I held in GAO was the position as Director of LOGCOM. I had never been in a job longer than 3 or 4 years before I was transferred somewhere else. I had a marvelous mix of technical and staff positions. I got associated with the managerial aspects of it and the technical aspects of it, and I served as a witness in court cases, which was an exciting experience.

I was involved in 1954—we have not mentioned this—in an aborted attempt to create a comprehensive audit group in the Transportation Division. Recognizing that the Division of Audits was going to take over the organization—the forward-looking people, including John Cooper—recognized that if the Transportation Division was going to survive, we ought to get with it and start doing some comprehensive audits.

But, unfortunately, he did not know what comprehensive audits were. We put four teams out in the agencies—one in Navy, one in State, one in Agriculture, and I forget where the fourth team was. A fellow by the name of Taylor Veazey and I, as a GS-11, were made the headquarters staff. To show you the nature of the times, however, we as headquarters staff of this operation were not permitted to go out and visit the audit sites to see what they were doing, and they were not permitted to discuss and learn about what they should be doing from the comprehensive auditors that were doing the audit.

I can recall that we had to clandestinely go and ask what comprehensive audits were all about. The fellow who helped us most at that time was Phil Charam; he was most cooperative.

I have to tell you that the only report, to my knowledge, that was ever issued in GAO by a grade 11 was issued by a fellow by the name of Harvey Havland. He had discussed what comprehensive audits were all about with the audit staffs—the professionals who were in the agencies in which he was working—and he got a real grasp for the audit, and he developed a management report in 1955, or thereabouts, having to do with unprocessed, unused tickets that were worth about $200,000 plus.

He tried to process that report through the Transportation Division and encountered the same problem we had later on when we created the survey branch. It was an absolute impossibility.

After his last attempt to get that report moving—he was a grade 11—he stormed out of his boss's office, red in the face, went back to his office, signed the report himself, and sent it to the head of the agency. [Laughter]

The morale of the staff deteriorated thereafter, and they resorted to doing things that would be more traditional for the Transportation Division. The effort was not successful because, unlike our later effort, they did not provide any of the training.

So I would say that I had a great career, but then I was eager and ready to transfer to the newly created LOGCOM where I worked for Ken Fasick. It was one of the most exciting periods of my career, to take that new Division and create it from disparate elements of other areas of GAO and mold them together to make it a functioning Division. To this day, Ken and I talk about that period of time when he was the Director and I was the Deputy Director of that Division.

I had a very rewarding career in both areas. They were different types of experiences.

Mr. Grosshans — Tom?

Mr. Sullivan — I had a wonderful career in GAO and would not ask for a better one. I have no regrets. Every job I had, I learned from. Not too many people have the chance to head an organization and work yourself out from under it and get rid of it before you retire. [Laughter] I thought that was a good accomplishment, but not without a great deal of help from a lot of people, I must add.

I have no regrets at all. I had a good career and I am still enjoying my retirement.

Mr. Grosshans — I certainly want to thank each one of you. There is a wealth of experience sitting across the table here. We appreciate your coming in and reminiscing and particularly helping us out in better documenting what Transportation was all about. Of course, each one of you, as you pointed out, left a mark there. I think it will be a valuable addition to our oral

history series and will give us a better appreciation of what the GAO transportation role was.

Mr. Eschwege

One last thing I do want to say because you have portrayed the GAO transportation activity—and I know in some respects it was true—as a sort of stepchild in GAO after the professional audit groups came along in the late 1940s. Speaking from that "dominating" side of the house, I remember being rather jealous for many years reaching well into Staats's era, because every year when we counted up the GAO dollar accomplishments, that Transportation Division was always ahead of all so-called professional Divisions in showing more refunds and dollar collections than all of them put together. So I think it was a worthwhile activity, and maybe we did not look down on you as much as you think we did.

I appreciate your coming here today.

Dr. Trask

I think that it is particularly important to have this interview because we are dealing with a function that was very important in GAO's history from the beginning to 1975, but nobody in GAO is doing it now, so we do not talk about it very much. This interview provides information on a past function that was important, and that is a valuable addition to our record.

Thank you.

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